

Southwest®

2017

One Report



Table of Contents

2017 One Report

The One Report highlights our commitment to the triple bottom line of Performance, People, and Planet. It's a commitment that we hope makes us a leader in global citizenship and supports our Purpose to connect People to what's important in their lives through friendly, reliable, and low-cost air travel, and our Vision to become the world's most loved, most flown, and most profitable airline.¹

Our Triple Bottom Line

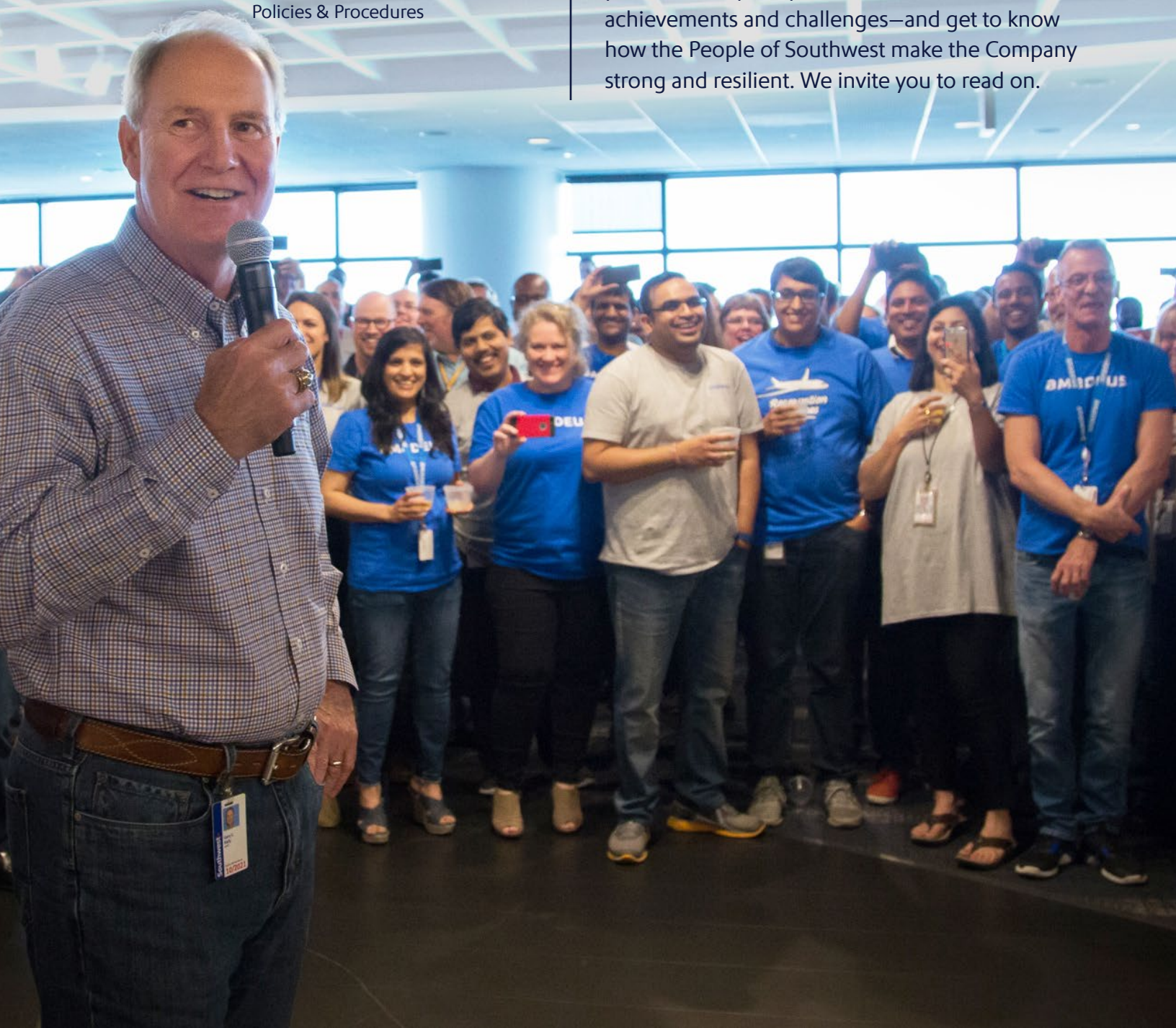
The One Report is our comprehensive, integrated report that includes information on our financial performance, our citizenship efforts, the key events of 2017, and what's on the horizon for Southwest. All information presented is as of Dec. 31, 2017, unless otherwise noted.

3	About the Report
4	Key Highlights
5	A Letter from our Chairman of the Board and CEO: Thinking Big—Acting Small
7	30,000 Foot View
10	Reporting Approach
11	Awards
12	Our Leadership and Policies & Procedures
13	Performance
14	Key Accomplishments
15	Financial Results
21	Strong Financial Position
26	Growing Our Robust Network
33	Looking Forward
34	Performance Data Table
37	People
38	Key Accomplishments
39	Employees
57	Customers
62	Communities
76	Looking Forward
77	People Data Table
79	Planet
80	Key Accomplishments
81	Energy Use
86	Greenhouse Gas (GHG) Emissions
93	Waste
99	Looking Forward
100	Planet Data Table
102	GRI Content Index

An Extraordinary Year

Key Highlights	4
A Letter from our Chairman of the Board: Thinking Big— Acting Small	5
30,000 Foot View	7
Reporting Approach	10
Awards	11
Our Leadership and Policies & Procedures	12

2017 marked our 45th consecutive year of profitability. We celebrated several notable milestones during 2017, while we faced intense industry competition and endured a series of natural disasters that impacted several of the communities where we live and serve. In this year's One Report, you can read more about these achievements and challenges—and get to know how the People of Southwest make the Company strong and resilient. We invite you to read on.



KEY HIGHLIGHTS

New Boeing 737

MAX 8 aircraft**45**consecutive years
of profitabilityRecord
130M+

Customers served

Launched our
**New
Reservation
System**the largest technology
project in our historyRanked
#1in Customer Satisfaction
by the U.S. Department
of Transportation (DOT)²



A Letter from our Chairman of the Board and CEO: Thinking Big—Acting Small¹

It's hard to fathom that the 50th anniversary of Southwest Airlines is on the not-too-distant horizon. I'm in my fourth decade at this great Company, which affords me the luxury of reflecting on the past with equal excitement about what the future holds.

I joined Southwest in 1986. I was drawn in by this scrappy, growing Company with a maverick spirit and a strong sense of Culture. Southwest was born from the idea to democratize the skies and make flying more affordable for all, not just the rich and elite. It had a People-centric orientation from day one—treating Employees like Family and our Customers like guests in our home. The attitude was instantly contagious, and it didn't take long before our communities felt the love. The results have yielded the most successful domestic commercial airline in history, and 2017 marked our 45th consecutive year of profitability.

In 2017, we accomplished some monumental milestones. Just to name a few:

- We launched a brand new reservation system, culminating a multi-year Companywide effort and the largest technology project in our history
- We completed the retirement of the remaining Boeing 737-300 Classic aircraft
- We introduced the Boeing 737 MAX 8 aircraft into our fleet
- We opened a brand new international concourse at Ft. Lauderdale-Hollywood International Airport
- We retained our rightful place as #1 in U.S. DOT Customer Satisfaction²
- And we announced our intent to serve Hawaii

**“I’m grateful for our People.
I’m grateful that they do such a
wonderful job. I’m grateful that
they’ve created a Company that is
admired around the world and is a
favorite among Customers.”**

Today, Southwest is an international Company with an expanding footprint, adding more destinations, near and far. But I like to think that even as we grow, we maintain our hometown Hospitality, and we dedicate a lot of time and attention to what is important to the communities where our Employees work and live.

Last year was an especially challenging year for several of the communities we serve—the unprecedented hurricane season that devastated Southern Texas, the southeast United States, and the Caribbean; the mass shootings in Las Vegas and Sutherland Springs, Texas; the wildfires in California; and the earthquakes in Mexico. Of all the things Southwest accomplished last year, I’m most proud of how our Company responded to these tragic events and supported these communities in a time of need.

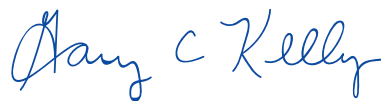
So what does being a good corporate citizen mean to Southwest? I think it’s that same small-town outlook we have about our place in this world. A world where you love your

Family, you know your neighbors by name, and you live and work side-by-side with them each and every day to provide a valuable good or service. Even as we grow, we think big and act small.

As we soar to new heights, we remain grounded in our Purpose to connect People to what’s important in their lives through friendly, reliable, and low-cost air travel. We have a lofty Vision to become the world’s most loved, most flown, and most profitable airline. And the 56,110 Southwest Family Members know that the only way we will realize our Vision is to serve one Customer and one flight at a time.

Welcome to the 2017 Southwest Airlines One Report! I invite you to spend some time learning about all of the wonderful ways in which we dedicate ourselves to the triple bottom line of Performance, People, and Planet. Even though we’re an airline, we believe some of our best work is done on the ground—in the communities we serve, by the most caring and loving Employees in the world. They are our Heart and soul, and their steady heartbeat will forever power Southwest Airlines!

Sincerely,



Gary C. Kelly
Chairman of the Board and CEO

For more from Gary, please read his [letter to the Shareholders](#).



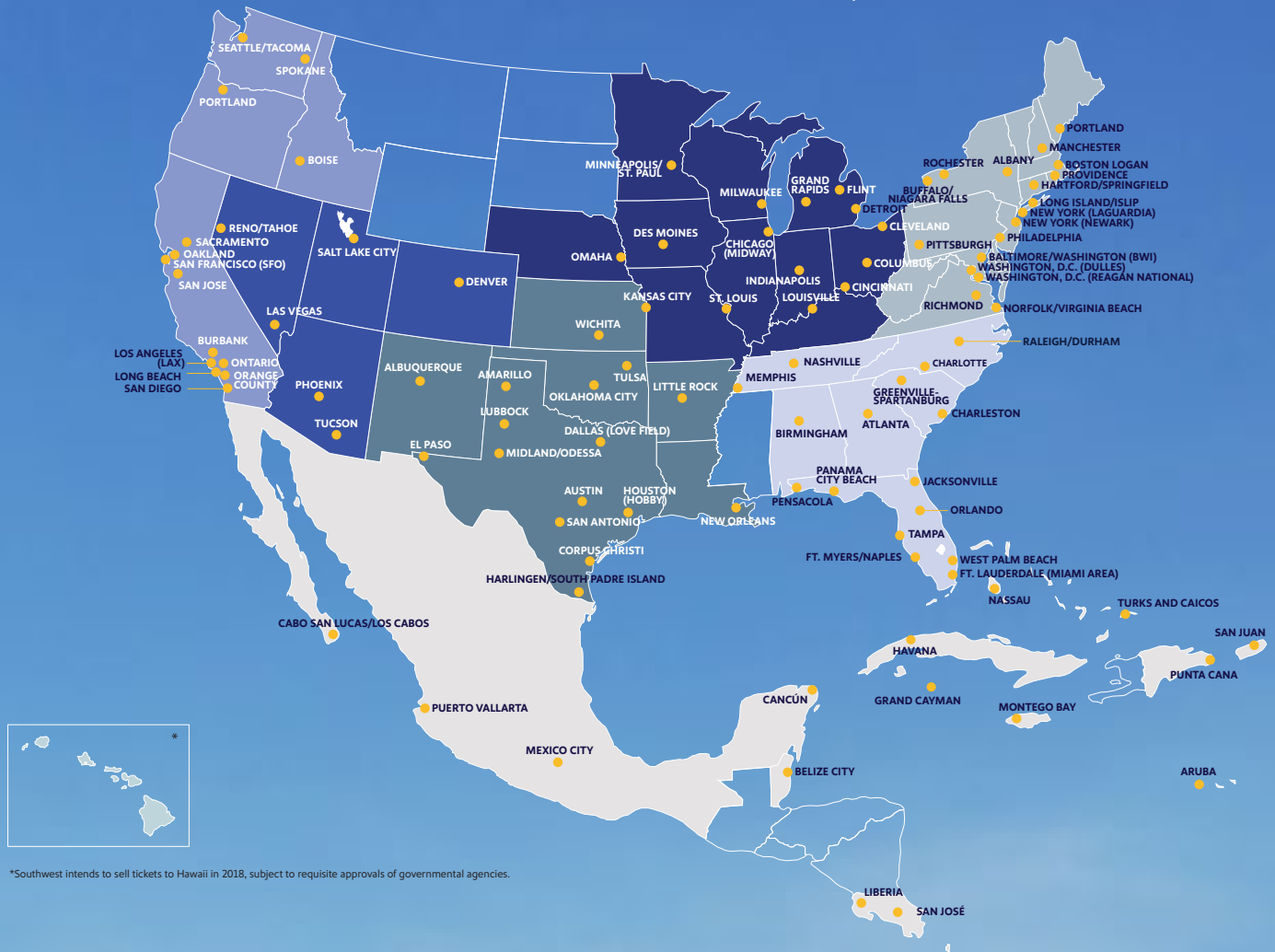
30,000 Foot View

Our Purpose is to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. Our network of 100 destinations allows us to live out our Purpose, serving Customers on more than 4,000 flights per day during peak travel season. Carrying more than 130 million Customers in 2017—an all-time annual record—allowed us to take care of our People, invest in our business, give back to the communities we serve, and reward our Shareholders.

System Map

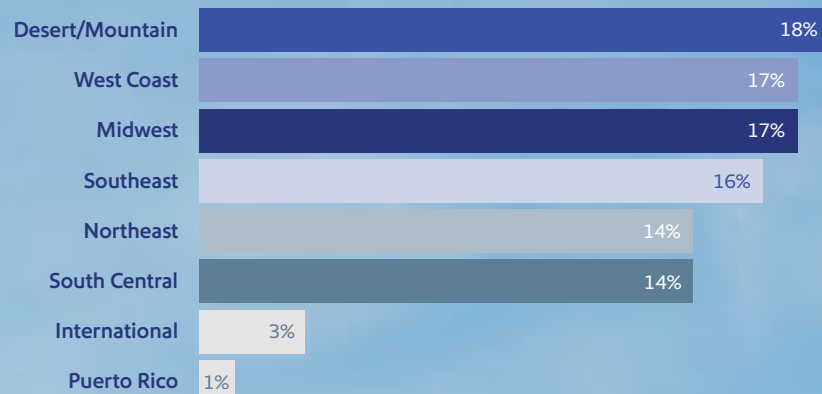
(as of Dec. 31, 2017)

View our interactive route map for our most current list of destinations at: www.southwest.com/routemap



Capacity by Region

(as of Dec. 31, 2017)



Top 10 Airports

(daily departures as of December 2017)

1

MDW: 251

Chicago Midway

5

HOU: 175

Houston Hobby

8

OAK: 127

Oakland

2

BWI: 237

Baltimore-Washington

6

LAS: 173

Las Vegas

9

ATL: 120

Atlanta

3

DEN: 196

Denver

7

PHX: 168

Phoenix

10

LAX: 118

Los Angeles

4

DAL: 180

Dallas Love Field

Sharing our Success





Reporting Approach

Our Employees, Customers, Shareholders, suppliers, and community groups all contribute to the many opportunities we see for the future of our Company. We listen to and learn from our many Stakeholders, which helps shape the content of the One Report and reflects our ongoing commitment to connect People to what's important in their lives.



Ranked 8th

(in 2017)

Most Admired Companies
in the World list

FORTUNE magazine
(23rd consecutive year)

Earned
100%
Corporate Equality
Index score

Human Rights Campaign

Designated a
Best Employer
in 2017

Forbes



Recognized as a
**Best Place to
Work 2018**

Glassdoor
(9th consecutive year)



Designated a
**2018 Military
Friendly® Company**

Victory Media



Received the
**Air Cargo Excellence
Platinum Award**

(up to 999,999 tonnes category)

Air Cargo World



Named one of the
**100 Best
Corporate
Citizens 2017**

Corporate Responsibility Magazine

Won

Best Customer Service
(5th consecutive year)

Program of the Year
(Rapid Rewards®)

Best Loyalty Credit Card

Freddie Awards

Highly ranked for
**Environmental
Performance**

Newsweek Green Rankings



Our Leadership

Current Officers

<http://www.southwestairlinesinvestorrelations.com/corporate-governance/company-officers>

Board of Directors

<http://www.southwestairlinesinvestorrelations.com/corporate-governance/board-of-directors>

Board Committees

<http://www.southwestairlinesinvestorrelations.com/corporate-governance/board-committees>

Policies & Procedures

We have developed a set of policies and procedures that guide our day-to-day business activities. Follow these links to review our Corporate Governance Guidelines and our Corporate Policies.

Corporate Governance Guidelines

<http://www.southwestairlinesinvestorrelations.com/corporate-governance/corporate-governance-guidelines>

Corporate Policies

<http://www.southwestairlinesinvestorrelations.com/corporate-governance/corporate-bylaws-articles-of-incorporation-and-corporate-policies/corporate-policies>

Reaching New Heights through Exceptional Performance

Key Accomplishments	14
Financial Results	15
Strong Financial Position	21
Growing Our Robust Network	26
Looking Forward	33
Performance Data Table	34

Southwest had an outstanding year in 2017. We once again led the industry in Customer Satisfaction² from the U.S. Department of Transportation (DOT) and had the best baggage delivery rates in our history while carrying a record number of Customers. We saw record profits delivered at strong margins. We further diversified and strengthened our route network, preserved our strong financial position, and returned significant value to our Shareholders. Read on for a look at our financial and operational performance.



KEY ACCOMPLISHMENTS



Introduced
the Boeing 737

MAX 8

aircraft into our fleet

45 years



2017 was our **45th consecutive**
year of profitability.

Ranked #1 in **Customer Satisfaction**
by the U.S. DOT.²



KEY TOPIC

Financial Results

2017 was a year of great achievements and also great challenges. We implemented a new reservation system, retired our remaining Boeing 737-300 Classic aircraft, and introduced a new aircraft to our fleet—the 737 MAX 8. At the same time, our Employees had their Warrior Spirits on full display as they courageously worked hard and persevered through unprecedented tragic events and the competitive industry environment. Our Employees worked together as One Team to deliver their world-renowned Customer Service and Hospitality that, once again, brought a record number of Passengers to Southwest, generating record revenues.

Southwest continues to be a Low-Fare Leader in the airline industry, maintaining low-cost discipline and prudently managing growth opportunities and investments in technology and facilities. Our stock price (LUV) ended the year at \$65.45, an approximate 30 percent increase from prior year and an approximate 540 percent increase over the last five years. Both periods led the domestic airline industry and, in fact, placed us first against all industrials in the S&P 500 Index and ninth in the overall S&P 500 for the five years ended 2017.

STORIES

[Another Year of Strong Profits](#)
[Raising the Record Revenue Bar, Again](#)
[Continued Focus on Low-Cost Discipline](#)
[A Decade of Consistent Performance](#)

25.9%
ROIC

Sustained Returns

We delivered another year of strong annual pretax return on invested capital (ROIC)³ performance in 2017.

83.9%



annual load factor

Strong Demand

Demand for our low fares remained strong in 2017, and our annual load factor⁴ remained high.

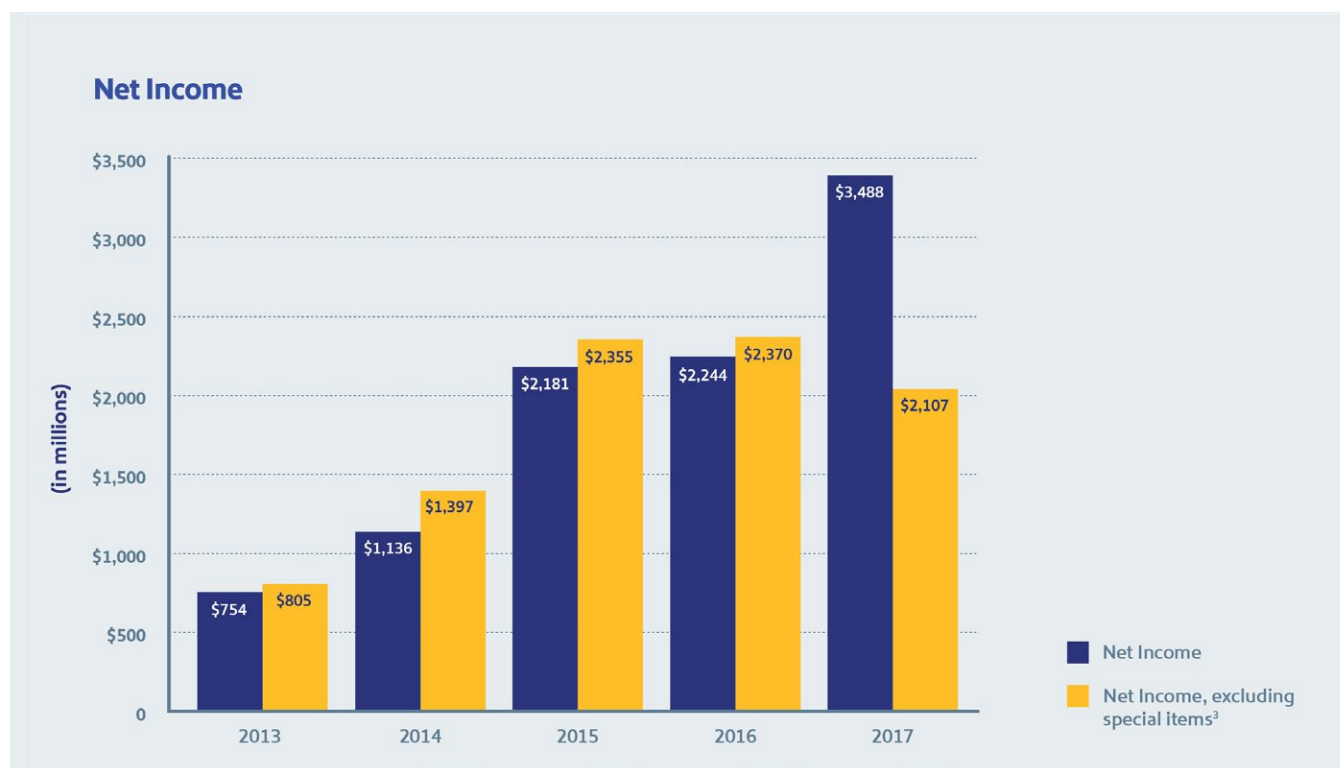
Financial Results | Another Year of Strong Profits



Another Year of Strong Profits

2017 was another outstanding year of financial and operational performance for Southwest. Our loyal Customers chose Southwest's low fares more than any other airline, maintaining our position as the largest carrier in the United States⁵ and driving record revenues. Net income in 2017 was a record \$3.5 billion, an increase of 55.4 percent, year-over-year. The increase was driven primarily by a \$1.4 billion reduction in our income tax provision in order to

revalue our deferred tax liability related to the Tax Cuts and Jobs Acts legislation enacted in 2017. As one of the only domestic airlines paying cash taxes in one of the most heavily taxed industries in the United States, Southwest applauded Congress and the President for the passage of tax reform legislation. Excluding this and other special items,³ net income in 2017 was \$2.1 billion, a decrease of 11.1 percent, year-over-year.





Raising the Record Revenue Bar, Again

During 2017, Southwest's annual operating revenues increased to an all-time record \$21.2 billion, with record passenger revenues. This exceptional performance includes the impact of the competitive domestic fare environment, approximately \$100 million in revenue reduction associated with the unprecedented natural disasters in the summer months, and an approximate \$80 million revenue reduction in connection with the transition to a new reservation system. Despite the competitive fare environment resulting in year-over-year decreases in our average passenger fare⁶ and passenger revenue yield,⁷ solid demand for our low fares drove a year-over-year increase in passenger revenues, as well as a strong load factor⁴ of 83.9 percent.

Increased demand for our award-winning Southwest Cargo[®] service in 2017 led to a year-over-year improvement of 1.2 percent in freight revenue.

Our loyal Customers' demand for the benefits of Southwest's Rapid Rewards Program[®] resulted in strong year-over-year growth in other revenues in 2017. Approximately 70 percent of the year-over-year increase was driven by an increase in revenue associated with Cardmember spend on Southwest's co-branded Chase[®] Visa credit card. Additionally, ancillary products performed better in 2017 than in 2016, particularly EarlyBird Check-In[®].

Operating revenues per available seat mile (RASM)⁸ also increased year-over-year, achieving our goal of positive unit revenue growth in 2017.

Sources of Passenger Revenue





Continued Focus on Low-Cost Discipline

Southwest is a leading low-cost carrier in the airline industry. A key component of our proven business model is our focus on cost discipline to enable low fares. Our single fleet type of all Boeing 737 aircraft, a robust and diverse point-to-point route network, a direct distribution model, and continued efforts to modernize our fleet for improved fuel efficiency and a better Customer Experience, are all contributors to our competitive advantage and financial success.

**Adjusted for stage length,
Southwest had lower unit costs,
on average, in 2017 than the
majority of major domestic carriers.**

Operating expenses increased in 2017, compared with 2016. The increase was driven primarily by increases in labor, fuel, and airport costs, as well as charges related to the early retirement of our Boeing 737-300 Classic aircraft, which were treated as a special item. The increase in salaries, wages, and benefits included a \$1,000 bonus and related payroll taxes for each Employee, totaling \$70 million, in celebration of the enactment of the Tax Cuts and Jobs Act legislation. Operating expenses per available seat mile (CASM)⁹ increased 2.3 percent, year-over-year. Excluding special items,³ CASM increased 3.9 percent, year-over-year.

Our annual 2017 economic fuel costs³ increased 4.2 percent to \$2.00 per gallon, year-over-year. We have a fuel hedging program in place that is designed as an insurance program to protect us from catastrophic fuel price increases¹ and that allows us to better plan for the future. While market fuel prices increased in 2017 compared with 2016, hedging losses per gallon in 2017 improved by nearly half from what they were in 2016, and as of the end of 2017, we had no remaining hedging losses in our hedging portfolio for 2018 and beyond. Annual hedging premiums also improved in 2017, as compared with 2016. Excluding fuel and oil expense, as well as special items, CASM increased 4.2 percent in 2017, year-over-year.

As we retired the remainder of our 737-300 fleet and introduced the more fuel-efficient 737 MAX 8 aircraft, available seat miles¹⁰ per gallon, or fuel efficiency, continued to improve in 2017. Other efforts to reduce fuel consumption were also ongoing in the year.

Southwest Employees delivered another year of excellent Reliability and Hospitality, maintaining our #1 ranking in Customer Satisfaction² by the U.S. Department of Transportation (DOT) and experiencing the best baggage delivery rate in Company history. These achievements are especially significant considering the natural disasters and competitive industry environment throughout the Southwest network. Southwest Employees' Warrior Spirits drove an outstanding 2017 financial performance, earning them \$543 million in profitsharing. Excluding fuel and oil expense, profitsharing expense, and special items, CASM increased 4.9 percent, year-over-year.

A Decade of Consistent Performance

Our Ten-Year Summary tells a story of consistent profitable performance.

Ten-Year Summary¹¹

(Dollars in millions except per share amounts, unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Selected Consolidated Financial Data										
Operating revenues:										
Passenger	\$19,141	\$18,594	\$18,299	\$17,658	\$16,721	\$16,093	\$14,754	\$11,489	\$9,892	\$10,549
Freight	173	171	179	175	164	160	139	125	118	145
Special revenue adjustment	—	—	172	—	—	—	—	—	—	—
Other	1,857	1,660	1,170	772	814	835	765	490	340	329
Total operating revenues	21,171	20,425	19,820	18,605	17,699	17,088	15,658	12,104	10,350	11,023
Operating expenses	17,656	16,665	15,704	16,380	16,421	16,465	14,965	11,116	10,088	10,574
Operating income	3,515	3,760	4,116	2,225	1,278	623	693	988	262	449
Other expenses (income), net	264	213	637	409	69	(62)	370	243	98	171
Income before income taxes	3,251	3,547	3,479	1,816	1,209	685	323	745	164	278
Provision for income taxes	(237)	1,303	1,298	680	455	264	145	286	65	100
Net income	\$3,488	\$2,244	\$2,181	\$1,136	\$754	\$421	\$178	\$459	\$99	\$178
Net income per share, basic	\$5.80	\$3.58	\$3.30	\$1.65	\$1.06	\$0.56	\$0.23	\$0.62	\$0.13	\$0.24
Net income per share, diluted	\$5.79	\$3.55	\$3.27	\$1.64	\$1.05	\$0.56	\$0.23	\$0.61	\$0.13	\$0.24
Cash dividends per common share	\$0.4750	\$0.3750	\$0.2850	\$0.2200	\$0.1300	\$0.0345	\$0.0180	\$0.0180	\$0.0180	\$0.0180
Total assets	\$25,110	\$23,286	\$21,312	\$19,723	\$19,177	\$18,350	\$17,805	\$15,249	\$13,978	\$13,703
Long-term debt less current maturities	\$3,320	\$2,821	\$2,541	\$2,434	\$2,191	\$2,883	\$3,107	\$2,875	\$3,325	\$3,498
Stockholders' equity	\$10,430	\$8,441	\$7,358	\$6,775	\$7,336	\$6,992	\$6,877	\$6,237	\$5,454	\$4,953
Consolidated Financial Ratios										
Return on average total assets	14.4%	10.1%	10.6%	5.8%	4.0%	2.3%	1.1%	3.1%	0.7%	1.2%
Stockholders' equity per common share O/S	\$17.72	\$13.72	\$11.36	\$10.03	\$10.47	\$9.57	\$8.90	\$8.35	\$7.34	\$6.69
Operating margin	16.6%	18.4%	20.8%	12.0%	7.2%	3.6%	4.4%	8.2%	2.5%	4.1%
Net margin	16.5%	11.0%	11.0%	6.1%	4.3%	2.5%	1.1%	3.8%	1.0%	1.6%

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Enplaned passengers	157,677,218	151,740,357	144,574,882	135,767,188	133,155,030	133,978,100	127,551,012	106,227,521	101,338,228	101,920,598
RPMs (000s) ¹²	129,041,420	124,797,986	117,499,879	108,035,133	104,348,216	102,874,979	97,582,530	78,046,967	74,456,710	73,491,687
ASMs (000s) ¹⁰	153,811,072	148,522,051	140,501,409	131,003,957	130,344,072	128,137,110	120,578,736	98,437,092	98,001,550	103,271,343
Passenger load factor ⁴	83.9%	84.0%	83.6%	82.5%	80.1%	80.3%	80.9%	79.3%	76.0%	71.2%
Average length of passenger haul (miles)	991	1,001	994	978	966	941	939	885	863	830
Average stage length (miles) ¹³	754	760	750	721	703	693	679	648	639	636
Aircraft utilization (hours and minutes per day)	11:11	11:08	11:13	10:54	10:45	10:55	11:10	10:48	10:50	11:36
Trips flown	1,347,893	1,311,149	1,267,358	1,255,502	1,312,785	1,361,558	1,317,977	1,114,451	1,125,111	1,191,151
Average passenger fare ⁶	\$146.95	\$149.09	\$154.85	\$159.80	\$154.72	\$147.17	\$141.90	\$130.27	\$114.61	\$119.16
Passenger revenue yield per RPM ⁷	14.83¢	14.90¢	15.57¢	16.34¢	16.02¢	15.64¢	15.12¢	14.72¢	13.29¢	14.35¢
Operating revenue yield per ASM ⁸	13.76¢	13.75¢	13.98¢	14.20¢	13.58¢	13.34¢	12.99¢	12.30¢	10.56¢	10.67¢
Operating expenses per ASM ⁹	11.48¢	11.22¢	11.18¢	12.50¢	12.60¢	12.85¢	12.41¢	11.29¢	10.29¢	10.24¢
Operating expenses per ASM, excluding fuel	8.92¢	8.76¢	8.60¢	8.46¢	8.18¢	8.07¢	7.73¢	7.61¢	7.19¢	6.64¢
Fuel cost per gallon, including tax	\$1.92	\$1.82	\$1.90	\$2.93	\$3.16	\$3.30	\$3.19	\$2.51	\$2.12	\$2.44
Fuel consumed, in gallons (millions)	2,045	1,996	1,901	1,801	1,818	1,847	1,764	1,437	1,428	1,511
Active, full-time equivalent Employees at yearend ¹⁴	56,110	53,536	49,583	46,278	44,831	45,861	45,392	34,901	34,726	35,499
Aircraft at yearend ¹⁵	706	723	704	665	681	694	698	548	541	537



KEY TOPIC

Strong Financial Position

Our balance sheet and liquidity remained strong in 2017. Our record profits and manageable capital spending produced solid free cash flow,³ enabling us to continue to return significant value to our Shareholders.

STORIES

[Industry-Leading
Balance Sheet](#)[Balanced Capital Deployment](#)[2017 Capital Expenditures
Breakdown](#)

\$3.9 billion

Annual operating
cash flow



Southwest's investment
grade balance sheet received
credit rating upgrades to 'A3'
by Moody's and 'BBB+' by
Standard & Poor's¹⁶

\$1.9 billion

Returned to Shareholders
through share repurchases
and dividends

LUV

Strong Financial Position | Industry-Leading Balance Sheet



Industry-Leading Balance Sheet

Southwest ended the year with \$3.3 billion in cash and short-term investments, along with a fully available unsecured revolving credit facility of \$1 billion. Our balance sheet remains one of the strongest in the domestic airline industry, with very manageable debt-to-equity leverage, including off balance sheet aircraft leases, and investment grade ratings from all three rating agencies. During 2017, both Moody's Investors Service and Standard & Poor's¹⁶ upgraded our credit ratings to A3 and BBB+, respectively.

In 2017, we issued \$600 million in unsecured debt at among the tightest credit spreads and lowest yields in our history.

Our balance sheet was strengthened with the Tax Cuts and Jobs Act legislation enacted in 2017 through a \$1.4 billion reduction to our deferred tax liabilities to reflect the new, lower federal corporate tax rate of 21 percent.

Putting our Money where our Heart is

In recent years, we've worked with minority and veteran owned investment banking firms. We have partnered with:

- Blaylock Van, LLC—minority owned
- Drexel Hamilton, LLC—disabled veteran owned
- Academy Securities—disabled veteran owned



Strong Financial Position | Industry-Leading Balance Sheet

Credit Agency Ratings

	Non-Investment Grade						Investment Grade			
	B-	B	B+	BB-	BB	BB+	BBB-	BBB	BBB+	A-
S&P/Fitch Moody's	B3	B2	B1	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1	A3
Southwest									F S&P	M
Alaska Airlines						S&P	F			
Allegiant Air			M	S&P						
American Airlines			M	F S&P						
Delta							M F S&P			
Hawaiian Airlines			M F	S&P						
jetBlue				F	S&P	M				
Spirit Airlines				S&P		F				
United Airlines				M S&P	F					

S&P Standard & Poor's
 F Fitch Ratings
 M Moody's

Source: Bloomberg as of Dec. 31, 2017. Moody's Senior Unsecured rating used (if unavailable, Long Term Corporate Family or Long Term rating used); S&P's Long Term Issuer rating used; Fitch's Senior Unsecured rating used (if unavailable, Long Term Issuer rating used).

Strong Financial Position | Balanced Capital Deployment

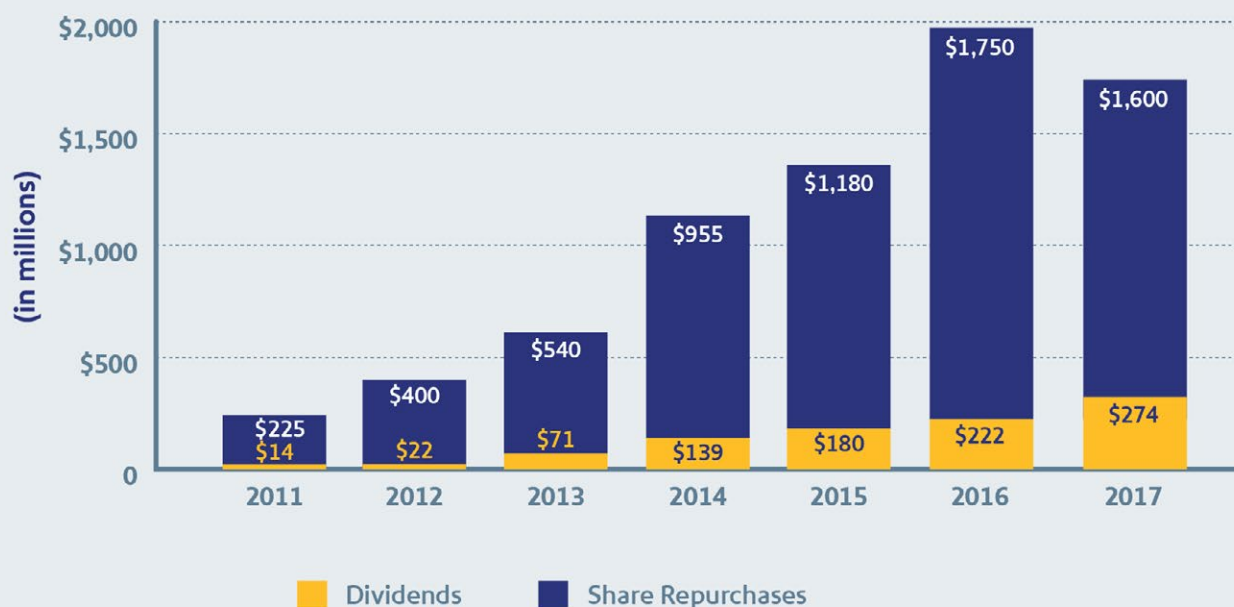


Balanced Capital Deployment

We are committed to investing in our business to enable responsible growth and returning value to our Shareholders.¹ In 2017, we had operating cash flow of \$3.9 billion and capital expenditures of \$2.1 billion, resulting in free cash flow³ of \$1.8 billion. Investments in our business included additional aircraft, facilities projects such as the new Flight Operations Training Center at our Headquarters in Dallas,

and a new reservation system, among other things. With \$1.9 billion of share repurchases and dividends, combined, we returned all of our free cash flow in 2017 to Shareholders. Since 2010, we have returned more than \$7.5 billion to Shareholders through share repurchases and dividends through the end of 2017.

Returns to Shareholders



Strong Financial Position | 2017 Capital Expenditures Breakdown



2017 Capital Expenditures Breakdown

To make progress toward offsetting the fleet deficit resulting from our decision to accelerate the retirement of our 87 remaining Boeing 737-300 aircraft by the end of third quarter 2017, we added 70 new and pre-owned Boeing 737 aircraft to our fleet in 2017. During 2017, we were building a new Flight Operations Training Center and additional office space at our Headquarters in Dallas, and we had several

hangar projects in process throughout our system. We also successfully executed the deployment of a new reservation system in 2017. All of these investments support our growth, give our Employees better tools to provide their legendary Hospitality, and help us drive further efficiency and productivity.

Allocation of 2017 Capital Spend





KEY TOPIC

Growing Our Robust Network

Our friendly, reliable, and low-cost air travel helped Southwest remain the largest domestic air carrier in the United States.⁵ We were the leader in 25 of the top 50 U.S. metro areas,^{5,17} and we served 96 of the top 100 domestic origin and destination city pairs, including co-terminal airports.^{5,18}

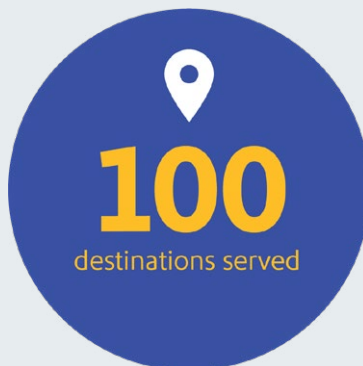
With a point-to-point network allowing for more direct routing, approximately 76 percent of our Customers flew nonstop during 2017, and as of Dec. 31, 2017, we served 675 nonstop city pairs. Our available seat miles¹⁰ (capacity) grew 3.6 percent in 2017, year-over-year. As we look to the exciting growth opportunities ahead, we seek to expand our network prudently and profitably.¹

STORIES

[The Retirement of the Classics and Introduction of the MAX](#)[A Diversified Network](#)[Ft. Lauderdale-Hollywood International Expansion](#)[A New Reservation System](#)

Largest Domestic Carrier

Southwest has 24% of the total domestic market share.



Domestic & International

We serve 100 destinations in 11 countries.

Growing Our Robust Network | The Retirement of the Classics and Introduction of the MAX

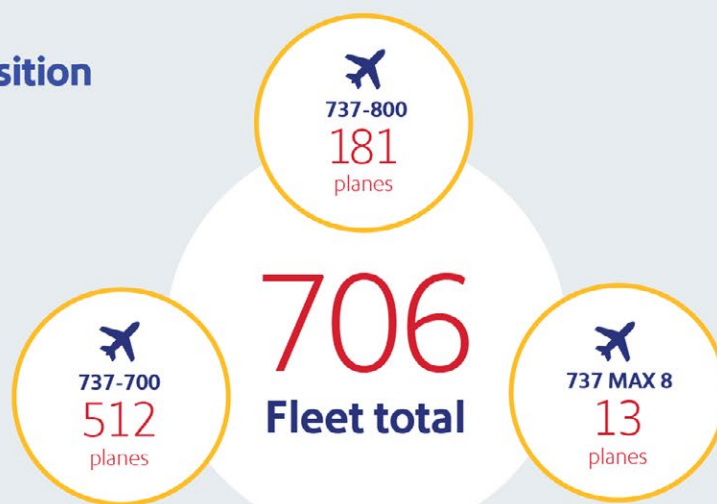


The Retirement of the Classics and Introduction of the MAX

In 2016, we made the decision to accelerate the retirement of our Boeing 737-300 aircraft (Classics). In 2017, we retired the remaining 87 Classics by the end of the third quarter. The primary benefits of the early retirement of the Classics are the replacement of these less fuel-efficient aircraft with larger gauge 737-800 and 737 MAX 8 aircraft, which are substantially more efficient than the Classics;¹ the modernization of the fleet with new airframe and engine technology; and an improved Customer Experience with a fully WiFi-equipped fleet.

On Oct. 1, 2017, we began flying the 737 MAX 8, ending the year with 13 in our all-Boeing fleet of 706 aircraft. As compared with the prior generation of 737 aircraft, the 737 MAX 8 provides an increased range, the Boeing Sky Interior (similar to the 737-800s), improved cockpit capabilities, a quieter engine, and is approximately 14 percent more fuel efficient than the 737-800 aircraft.

Fleet Composition



Growing Our Robust Network | A Diversified Network



A Diversified Network

We ended 2017 with 100 destinations in our route network. In 2017, we consolidated our Ohio operations by closing Dayton International Airport and Akron-Canton Airport and launched service at Cincinnati/Northern Kentucky International Airport. We were excited to open our brand new international terminal at Ft. Lauderdale-Hollywood International Airport (FLL) in the summer of 2017, launching inaugural service from FLL to Owen Roberts International Airport in Grand Cayman in June and to Providenciales International Airport in Turks and Caicos in November.

In an effort to concentrate our service to Cuba in Havana at the José Martí International Airport, we ceased operations in Santa Clara and Varadero in 2017. Our international footprint grew during 2017 with the successful launch of international service from Oakland International Airport, Nashville International Airport, and St. Louis Lambert International Airport. We ended 2017 with service to 14 international destinations in 10 countries, from 16 gateway cities in the 48 contiguous states.

**Southwest is
#1 in 26 of the top 50
U.S. metro areas¹⁷
in market share.⁵**

Growing Our Robust Network | Ft. Lauderdale-Hollywood International Expansion



Ft. Lauderdale-Hollywood International Expansion

In summer of 2017, we came one step closer to achieving our Vision to become the world's most loved, most flown, and most profitable airline¹ with the expansion of Terminal 1 at Ft. Lauderdale-Hollywood International Airport (FLL).

The newly built Concourse A is an important launch point for the international expansion of our business. Newly added routes from FLL included Belize; Cancun; Grand Cayman; Montego Bay; San Jose, Costa Rica; and Turks and Caicos.

Concourse A is a state-of-the-art facility with an abundance of natural light, restaurants, and shops, as well as gate area seating with embedded electrical charging outlets, a pet relief area, and art installations. But the real benefit of the new concourse lies in the convenience it provides for our international Customers.

"Prior to the opening of Concourse A, international travelers had to arrive at Terminal 4 and then make their way to the opposite side of the airport and recheck their bags to connect to their domestic flights in Terminal 1," says Steven Swan, Southwest's Director of International Planning and Partnerships. The Terminal 1 expansion provides seamless flow between domestic and international flights, streamlining connectivity for travelers passing through FLL.

Concourse A not only enhances the Customer Experience, it supports international growth for Southwest¹. South Florida represents the second largest market for international travel

from inside the U.S.⁵ Since the opening of Concourse A, we also have added new domestic flights to FLL, enabling Customers from all over the country to reach popular international destinations. With the launch of expanded domestic and international service from FLL in the summer of 2017, our total seats increased more than 40 percent from the previous summer's schedule, and by the end of 2017, we offered more than 20 percent of the scheduled available airline seats at FLL.²⁰

"Ft. Lauderdale is perfectly situated to transport travelers to the Caribbean, Central America, and the northern rim of South America," says Steven. "These destinations are critically important for our Customers in this market. The more relevant destinations we can offer to Customers in South Florida, the more likely they will be to fly Southwest in other markets as well."

"And because Ft. Lauderdale is a lower cost airport, we're able to pass on savings to Customers—something that wouldn't be possible for an airline operating out of Miami International Airport. It's a win-win for our Customers and for our business."

"It all goes back to taking Customers where they want to go," says Steven. "By continuing to stretch our reach into new markets, we are ultimately making it easier for People to travel to places that are important to them."

Growing Our Robust Network | Ft. Lauderdale-Hollywood International Expansion

Ft. Lauderdale International Destination Cities



Growing Our Robust Network | A New Reservation System



A New Reservation System

In 2017, we successfully completed the implementation of a new reservation system. This was the largest technology transformation in Southwest's history. After the integration of AirTran that gave Southwest the opportunity to fly internationally, we selected and deployed the Amadeus Altéa Passenger Service System as Southwest's international reservation platform in 2014. We then set out to replace our domestic reservation platform with Altéa, in order to serve our entire network with a single reservation system. In December 2016, we began selling tickets for domestic travel in Altéa. And on May 9, 2017, we successfully began operating all flights in the new reservation system,

providing Southwest with a single reservation system for domestic and international reservations. Between May 9 and the end of 2017, more than 100 million Passengers boarded more than 850,000 flights²¹ completed in the new system, the conversion to Altéa generated more than 1,000 neutral or positive mentions in the media,²² and our airport Frontline Employees achieved an outstanding Hospitality score of 89 percent while transitioning to the new system.²³ "Our new reservation system gives us the opportunity to unlock new capabilities and incremental revenue opportunities.¹ This new technology helps position us to further execute against our Company strategy and achieve our Vision of becoming

**By the Numbers:
Southwest's
Altéa Passenger
Service System
(May 9 - Dec. 31, 2017)**

850K+

Flights completed



1,000+

Media mentions



100M+

Passengers boarded



89%

Hospitality score



Growing Our Robust Network | A New Reservation System

the world's most loved, most flown, and most profitable airline,"¹ says Kathleen Wayton, Southwest Senior Vice President of Technology and Chief Information Officer. "Our reservation system is the foundation for our future, and we truly owe this labor of love to our incredible Southwest Warriors." This state-of-the-art technology was designed to improve flight scheduling and inventory management; enable operational enhancements to manage flight disruptions, such as those caused by extreme weather conditions; enable revenue enhancements; further schedule optimization; support additional international growth; and enable other foundational and operational capabilities.¹



"Our new reservation system gives us the opportunity to unlock new capabilities and incremental revenue opportunities. This new technology helps position us to further execute against our Company strategy and achieve our Vision of becoming the world's most loved, most flown, and most profitable airline. Our reservation system is the foundation for our future, and we truly owe this labor of love to our incredible Southwest Warriors."

— Kathleen Wayton, Southwest Senior Vice President of Technology and Chief Information Officer

Looking Forward¹



Hawaii Service

We have announced our plans for service to Hawaii, subject to requisite governmental approvals.

Reservation System Benefits

Our new reservation system is expected to generate an improvement in EBIT²⁴ of approximately \$500 million by 2020 through added revenue management functionality and operational capabilities.

Expanded Destinations

We're planning to launch up to five daily flights²⁵ at a new commercial aircraft facility at Paine Field in Everett, Washington.

Performance Data Table¹¹

Consolidated Highlights

(Dollars in millions except per share amounts, unaudited)

Year ended Dec. 31,	2017	2016	Change
Operating revenues	\$ 21,171	\$ 20,425	3.7 %
Operating expenses	\$ 17,656	\$ 16,665	5.9 %
Operating income	\$ 3,515	\$ 3,760	(6.5) %
Operating margin	16.6 %	18.4 %	(1.8) pts.
Net income	\$ 3,488	\$ 2,244	55.4 %
Net margin	16.5 %	11.0 %	5.5 pts.
Net income per share - basic	\$ 5.80	\$ 3.58	62.0 %
Net income per share - diluted	\$ 5.79	\$ 3.55	63.1 %
Stockholders' equity	\$ 10,430	\$ 8,441	23.6 %
Return on average stockholders' equity	37.0 %	28.4 %	8.6 pts.
Stockholders' equity per common share outstanding	\$ 17.72	\$ 13.72	29.2 %
Revenue passengers carried	130,256,190	124,719,765	4.4 %
Revenue passenger miles (RPMs) (000s) ¹²	129,041,420	124,797,986	3.4 %
Available seat miles (ASMs) (000s) ¹⁰	153,811,072	148,522,051	3.6 %
Passenger load factor ⁴	83.9 %	84.0 %	(0.1) pts.
Passenger revenue yield per RPM (cents) ⁷	14.83	14.90	(0.5) %
Operating revenue yield per ASM (cents) ⁸	13.76	13.75	0.1 %
Operating expenses per ASM (cents) ⁹	11.48	11.22	2.3 %
Aircraft at yearend	706	723	(2.4) %
Active, full-time equivalent Employees at yearend ¹⁴	56,110	53,536	4.8 %

Performance Data Table¹¹**Reconciliation of Reported Amounts to Non-GAAP Items³***(Dollars in millions except per share amounts, unaudited)*

Year ended December 31,	2017	2016	2015	2014	2013
Fuel and oil expense, unhedged	\$ 3,524	\$ 2,827			
Add: Fuel hedge (gains) losses included in Fuel and oil expense, net	416	820			
Fuel and oil expense, as reported	\$ 3,940	\$ 3,647			
Add : Net impact from fuel contracts	156	202			
Fuel and oil expense, excluding special items (economic)	\$ 4,096	\$ 3,849			
Total operating expenses, as reported	\$ 17,656	\$ 16,665			
Deduct: Contract ratification bonuses	-	(356)			
Add: Net impact from fuel contracts	156	202			
Deduct: Asset impairment	-	(21)			
Deduct: Lease termination expense	(33)	(22)			
Deduct: Aircraft grounding charge	(63)	-			
Total operating expenses, excluding special items	\$ 17,716	\$ 16,468			
Deduct: Fuel and oil expense, excluding special items (economic)	(4,096)	(3,849)			
Operating expenses, excluding Fuel and oil expense and special items	\$ 13,620	\$ 12,619			
Deduct: Profitsharing expense	(543)	(586)			
Operating expenses, excluding profitsharing expense, Fuel and oil expense, and special items	\$ 13,077	\$ 12,033			
Net income, as reported	\$ 3,488	\$ 2,244	\$ 2,181	\$ 1,136	\$ 754
Deduct: Special revenue adjustment	-	-	(172)	-	-
Add: Contract ratification bonuses	-	356	334	9	-
Add (Deduct): Mark-to-market impact from fuel contracts settling in future periods	69	9	373	251	(103)
Add (Deduct): Ineffectiveness from fuel hedges settling in future periods	31	(11)	(9)	5	11
Add (Deduct): Other net impact of fuel contracts settling in the current or a prior period (excluding reclassifications)	(150)	(197)	(251)	24	87
Add: Acquisition and integration costs	-	-	39	126	86
Deduct: Litigation settlement	-	-	(37)	-	-
Add: Asset impairment	-	21	-	-	-
Add: Lease termination expense	33	22	-	-	-
Add: Aircraft grounding charge	63	-	-	-	-

Continued on next page

Performance Data Table¹¹**Reconciliation of Reported Amounts to Non-GAAP Items³ Continued***(Dollars in millions except per share amounts, unaudited)*

Year ended December 31,	2017	2016	2015	2014	2013
Deduct: Income tax impact of fuel and special items, excluding Tax reform impact ²⁶	(17)	(74)	(103)	(154)	(30)
Deduct: Tax reform impact ²⁷	(1,410)	-	-	-	-
Net income, excluding special items	\$ 2,107	\$ 2,370	\$ 2,355	\$ 1,397	\$ 805
Net income per share, diluted, as reported	\$ 5.79				
Deduct: Impact from fuel contracts	(0.08)				
Add: Impact of special items	0.16				
Deduct: Income tax impact of fuel and special items, excluding Tax reform impact ²⁶	(0.03)				
Deduct: Tax reform impact ²⁷	(2.34)				
Net income per share, diluted, excluding special items	\$ 3.50				

Non-GAAP Return on Invested Capital (ROIC)*(Dollars in millions except per share amounts, unaudited)*

Year ended Dec. 31,	2017
Operating income, as reported	\$ 3,515
Net impact from fuel contracts	(156)
Lease termination expense	33
Aircraft grounding charge	63
Operating income, non-GAAP	\$ 3,455
Net adjustment for aircraft leases ²⁸	109
Adjustment for fuel hedge accounting ²⁹	(135)
Adjusted Operating income, non-GAAP (A)	\$ 3,429
Debt, including capital leases ³⁰	3,259
Equity ³⁰	8,881
Net present value of aircraft operating leases ³⁰	785
Average invested capital	\$ 12,925
Equity adjustment for hedge accounting ²⁹	296
Adjusted average invested capital (B)	\$ 13,221
Non-GAAP ROIC, pre-tax (A/B)	25.9 %

Putting People First

Key Accomplishments	38
Employees	39
Customers	57
Communities	62
Looking Forward	76
People Data Table	77

2017 was quite a year at Southwest. We launched the biggest technology initiative in Company history, which will allow us to better serve Customers for years to come. We stood alongside each other and the communities we serve through a rapid succession of powerful, destructive hurricanes. And we continued to build on our enriching workplace that honors Employees' diverse points of view. Through it all, we never lost sight of those at the Heart of our airline—our People.



KEY ACCOMPLISHMENTS



We served a record
130M+
Customers in 2017

20,000+



We **trained more than 20,000 Southwest Employees** for readiness on our new reservation system, Amadeus Altéa.

46 flights

We operated **46 no-charge evacuation and humanitarian flights** to help communities during Hurricanes Harvey, Maria, and Irma.



KEY TOPIC

Employees

Southwest is dedicated to providing the highest quality Customer Service, delivered with a sense of warmth, friendliness, individual pride, and Company Spirit. We believe that this commitment begins with our treatment of our Employees—when you treat your Employees well, your Customers feel the difference.

We're committed to providing our Employees with a nurturing work environment where they can learn and develop, creating an inclusive Culture that honors each Employee's unique point of view, and sharing our continued success with the People we rely on.

STORIES

[One Team. All Heart.
One Res.](#)[A Snapshot of Southwest
Employees](#)[Uniforms with Heart](#)[Women at Southwest Soar
to Great Heights](#)[Honoring Those Who Serve](#)[Building on a Legacy
of Diversity](#)[Training, the Southwest Way](#)[Employees LUV WorkPerks](#)[Safety Meets Big Data](#)

Sharing Our Profits

Employees earned \$543 million in profitsharing for 2017.



Investing in Our People

In 2017, our Operations teams spent 2,072,936 hours in training & education.

Employees | One Team. All Heart. One Res.



One Team. All Heart. One Res.

May 9, 2017 marked the achievement of the biggest technology initiative in Southwest's history. However, most Customers didn't even notice this historic milestone, and that's exactly the way we planned it! Years of preparation, training, and hard work came together to enable a virtually seamless transition to Southwest's next-generation reservation system, the Amadeus Altéa Passenger Service System. This effort was affectionately coined "One Res" by our Employees—a nod to our transition from three reservation systems to one.

Time for an Upgrade

Southwest's legacy reservation system had been in place since 1986. When we acquired AirTran in 2011, a second reservation system joined the family. Then in 2014, we implemented a third reservation system, Amadeus' Altéa, to support our new international service. This meant that our

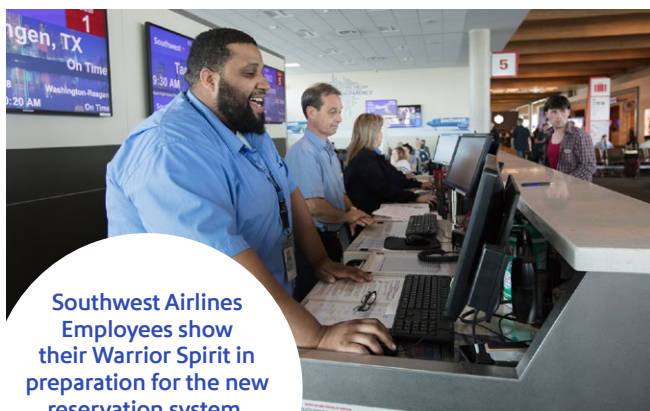
Frontline Employees had the difficult task of maintaining our famous Hospitality while toggling between three separate reservation systems.

While our legacy reservation systems served us well for many years, we needed a new, single platform that would allow us to grow based on Customer needs and offer a smoother experience for our Frontline Employees. In a true demonstration of Warrior Spirit, our entire Company embarked on the journey to deploy a single reservation system, making One Res a reality.

A Team Effort

Implementing the new reservation system was an enormous undertaking. When the new reservation system launched, Southwest's Teamwork and Warrior Spirit was evident, keeping us true to our "One Team. All Heart" mantra.

- **More than 1,500 Employees** from almost every department supported the behind-the-scenes work that led to more than **20,000 Employees being trained for readiness, including non-system training to help foster an understanding of what Altéa would bring to Southwest.** Training consisted of classroom instruction, computer-based training, and online simulations.
- **More than 800 Frontline Employees** also volunteered to take part in our Change Network, a peer-to-peer advocacy group that met monthly to review, discuss, and advocate for upcoming changes.



Southwest Airlines Employees show their Warrior Spirit in preparation for the new reservation system.

Employees | One Team. All Heart. One Res.

- **More than 1,000 airport Employees** from across our network volunteered and were specially trained at our Headquarters in Dallas to provide on-the-ground support for Fellow Employees during the monumental transition to the new reservation system. Close to 700 Employees fanned out to assist fellow Cohearts at airports, with a ratio of approximately one support Employee for every 10 airport Employees.
- **Almost 1,000 subject matter experts** and Technology Department Employees staffed a 24/7 command center in shifts of up to 100 at a time to troubleshoot system issues, answer questions, and ensure that the new reservation system launched smoothly.

Southwest Airlines University (SWA U)

SWA U played an important role in the launch of the new reservation system



105+

Locations
received training



Total learning
hours delivered



8

Months devoted to
training on the new
reservation system

14,000+



Employees provided with system training across our Support, Customer Support & Services, Customer Relations, and Ground Operations Team

Employees | One Team. All Heart. One Res.

When the system finally launched, Employees saw their hard work pay off, and the feeling was electric. Business continued with Altéa just as we'd planned, and our Employees celebrated the launch with selfies, posters, cakes, toasts, and kudos to their well-prepared Teammates.

One Team. All Heart. One Res.**20,000+**

Southwest Team Members were trained for readiness on Amadeus Altéa

**400+**

Customer-oriented procedures received updates

**800+**

Change Network Members across seven departments served as advocates for One Res within their Workgroups

**1,500+**

Team Members directly supported the One Res Program

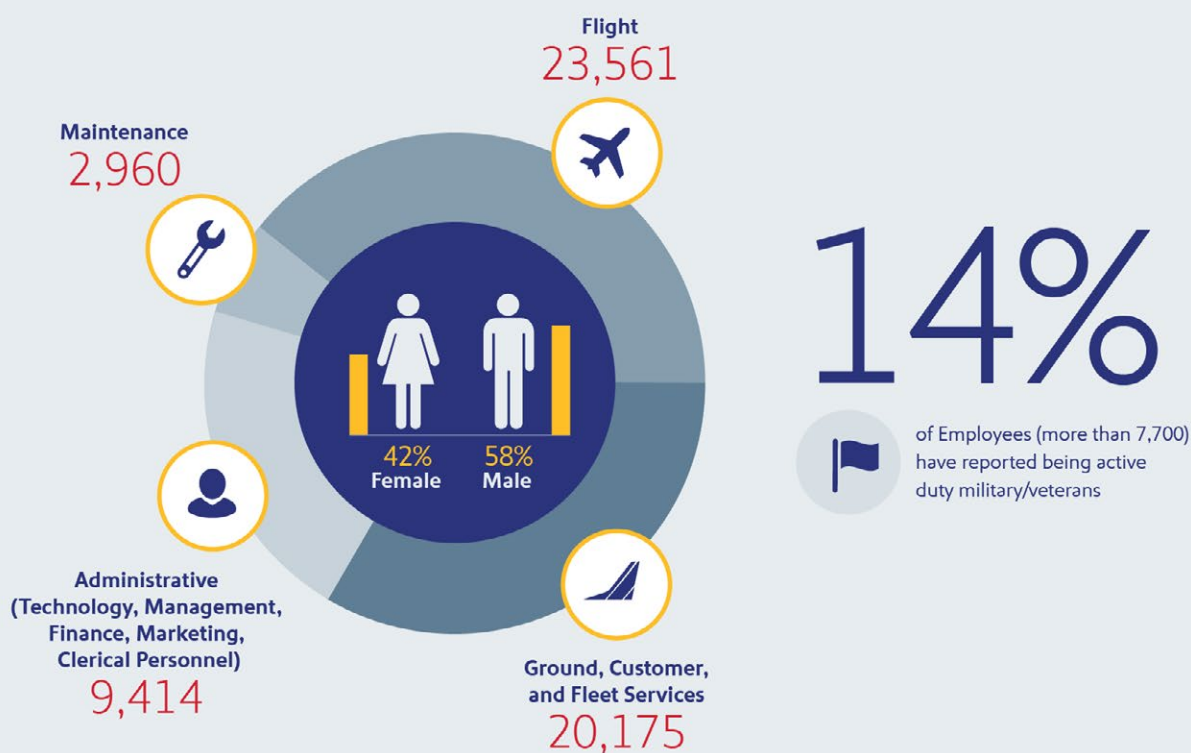
Employees | A Snapshot of Southwest Employees



A Snapshot of Southwest Employees

It takes a great Team to keep us flying. Here's a closer look at our talented and diverse group of more than 56,000 Employees.

Breakdown of Employees by Workgroup and Gender^{14, 31}



Employees | Uniforms with Heart



Uniforms with Heart

Southwest Freight Agent Kate Callen relies on a variety of skills to help keep Cargo operations in Denver running smoothly. She assists Cargo Customers during the drop-off and pick-up process, reviews accepted cargo for compliance with regulatory standards, and researches information on routed shipments as necessary. And after the launch of our new uniforms in 2017, she can claim another (although slightly more unexpected) talent that came in handy in her work at Southwest—fashion design.



Time for a Makeover

Kate was a part of the team of 43 Employees from across our Company who helped design the uniforms worn by more than 42,000 of her Cohearts. Our uniforms had not been completely redesigned since 1996—nearly two decades before our bold new Heart brand was unveiled in 2014—so they were ready for an update.

“I loved being on the Design Team!” says Kate. “It definitely had its challenges, but meeting People from all around the system and working on a project like this was really rewarding. It was fun collaborating with different Stations and making sure we met everyone’s needs.”

In the Hands of our Employees

Since uniforms most directly affect those who wear them, we turned to our Employees for help. “Our energetic Employees are the Heart of our airline, and they were the perfect choice to design and develop our new look,” says Sonya Lacore, Southwest’s Vice President of Inflight Operations and head of the Design Team. “The amount of Employee involvement in the design process was important to Southwest—and it shows our commitment to our Employees as the Heart of our airline and our brand.”

Whether working behind the scenes or serving Customers face-to-face, our Employees expect uniforms to be functional, comfortable, and reflect their Servant’s Hearts, Warrior Spirits,

Employees | Uniforms with Heart

and Fun-LUVing Attitudes. That might mean extra pockets for Ramp Agents' tools, or a cleverly-placed pop of bright color along the seam of a Flight Attendant's uniform.

The Design Process

The uniform design process took more than two and a half years of work—gathering feedback, selecting Employees for the Design Team, searching for design inspiration in downtown Chicago, collaborating with our design and manufacturing partner Cintas, wear testing, refining, and getting final approvals. Along the way, our Design Team was able to incorporate planet-friendly materials into the design and visit garment manufacturing sites to monitor for safe working conditions. New designs were rolled out between February and June of 2017, and a number of Employees had fun strutting their stuff at Southwest-style fashion shows.

"The great thing about these uniforms is Employees can mix it up, and there's something for everyone," says Steve Murtoff, Southwest's Senior Director Onboard Experience & Policy and Uniform Core Team Chairman. "Employees asked for options, so choices include pants, shirts, polos, shorts, skirts, and dresses. We didn't just include our Employees in the design process—we made them central to it. Because when Employees look and feel their best, they are best equipped to serve our Customers well."



Flight Attendants
show off their
new uniforms

Designed by Employees, for Employees

43



Employees on the
Uniform Design Team

More than

120

testers



72

Separate uniform
pieces



885,000+

Uniform pieces
shipped to Employees
(as of Dec. 31, 2017)



Employees | Women at Southwest Soar to Great Heights



Women at Southwest Soar to Great Heights

One evening Southwest Ramp Agent Will Santiago was having a conversation about his job with his daughter Lilly. She asked whether there were any women who worked with him on the Ramp at Southwest. To help answer Lilly's question and excite her about a career in aviation, Will turned to his Cohearts on Facebook. Over the next few days, dozens of our female Employees responded by posting photos of themselves on the job, sharing with Lilly the many different career paths available to women at Southwest.

Southwest exists to serve People. We do this by actively promoting diversity and gender equality, offering scholarships, and collaborating with organizations that support and encourage females pursuing jobs in the airline industry. So it was only natural that we invited Lilly

to Baltimore-Washington International Airport (BWI) to give her a chance to experience some of these jobs firsthand. That day, Lilly performed a wide range of jobs: helping Customers check in, announcing the boarding gate, and even helping guide a plane into the gate.

But Lilly's story didn't end there. A few months later, Lilly paid Southwest another visit—this time at our Headquarters in Dallas—and rounded out her understanding of the many roles women perform at the airline. On the day of Lilly's visit, Southwest was hosting an event with [GenHERation](#), a networking organization that connects young women with companies like Southwest. During the event, a group of about 50 girls heard from a few of Southwest's female Leaders. Lilly got to join in the fun.

Scholarships: Women in Aviation

In 2017, we encouraged women who are pursuing careers in aviation by investing directly in them.

\$25,000



worth of scholarships awarded to women to use for additional flight training and aid in achieving their goal of becoming professional pilots

\$8,500



worth of scholarships awarded to women to use to pay for their AMP (Aviation Maintenance Professional) Certification

Employees | Women at Southwest Soar to Great Heights

Afterward, Lilly got to see a few of the jobs that she didn't get to experience in Baltimore, such as the female Dispatchers working in our Network Operations Center (NOC), female Aviation Maintenance Technicians in Technical Operations, and the women who train new Employees. "The event was really a continuation and extension of Lilly's story," says Courtney Miller, a Community Engagement Communications & Outreach Specialist at Southwest. "We wanted to show the girls all the different ways that women are involved at Southwest. You think so often of Pilots and Flight Attendants when you go to the airport, but there's so much more happening behind the scenes.

Through a range of activities, scholarships, and partnerships with organizations like GenHERation and [Women in Aviation](#), we are working to encourage women to pursue careers in the field of aviation. "Most of us have heard our parents or grandparents say things like, 'I wish I could've done this or that, but those opportunities weren't open to me,'" says Courtney. "We are working to broaden girls' horizons, raise their awareness of more opportunities, and give them a chance to pursue their passions."



"Southwest Employees are known for their Servant's Hearts, and Dallas-based Check Airman Ed Devitt's Servant's Heart may very well be the reason I am now pursuing an aviation career. While at Dallas Love Field in 2012, my dad and I decided to look around the Southwest Flight Operations Training Center. As we walked through the simulator bay, Captain Devitt offered to run the simulator for us! My dad, Southwest Captain Kyle Odom, and I "flew" around Dallas in the sim and even landed a few times! I was hooked."

– Mackenzie Odom, Flight Operations
Scholarship Winner



Honoring Those Who Serve

What started in 2012 as a small service project has turned into a passion for Phoenix-based Employee Laurie Liss. When Laurie is not working as a Southwest Flight Attendant, she sews small patriotic travel pillows that she hands out to veterans and active military Passengers as tokens of her appreciation for their service. Since 2012, she has brought them on every flight she works, single-handedly distributing more than 7,000 pillows and accompanying thank-you notes to these heroes.

Laurie's story perfectly illustrates Southwest's commitment to veterans. Members of the military have always been heroes to our Southwest community. Their willingness to sacrifice in order to serve our country inspires us, as we also seek to act with a Servant's Heart and Warrior Spirit. So we seek to provide veterans with a great place to work, honor them for their service, and partner with military-focused organizations who give back to those who have given so much to us.

A Great Place to Work

Southwest employs more than 7,700 veterans and military members and has a connection to another 1,100 military spouses. Servicemen and servicewomen often are skilled in areas like operations, logistics, mechanics, and flying, which make them a good fit for our business. And we've learned that many veterans enjoy being part of our Team, as military men and women often possess strong leadership skills, discipline, and the sense of teamwork that is at the Heart of Southwest. Each year, Southwest is recognized by multiple organizations as a leading veteran-friendly employer.

2017 Veteran Employer Awards

Military Friendly Employer®
by Victory Media



Best of the Best Veteran-Friendly Companies
by U.S. Veterans Magazine



Most Valuable Employer for Military
by RecruitMilitary



Best for Vets: Employers
by Military Times



Extraordinary Employer Support Award
by Employer Support of the Guard and Reserve (ESGR)



Selected by the Texas Veterans Commission for
2017 We Hire Vets Recognition



Honoring Veterans

Each Southwest Employee who elects to self-identify as a current or former military member receives a note from our Chairman of the Board and CEO thanking them for their service, and a pin that can be worn to work in recognition of their military service. Our military appreciation program provides military Employees with points that can be redeemed for items like gift cards or travel. And when our Internal Customer Care (ICC) Team learns that an Employee has been called up for active military duty, a Team Member will reach out to thank them for their service and let the Employee know that we're thinking of them.

Partnerships

Southwest proudly partners with seven national military-focused nonprofit organizations. We donate tickets to

[Honor Flight Network](#), a nonprofit dedicated to honoring veterans and providing them with closure. We also support [Team Rubicon](#) with travel assistance, which allows veterans to use their skills helping communities that have been hit by natural disasters or other hardships. We provide travel support to the [Warrior Initiative at the Center for BrainHealth® at The University of Texas at Dallas](#), which provides brain training for our servicemen and servicewomen suffering from post-traumatic stress disorder and traumatic brain injury. We also contribute travel support to [Iraq & Afghanistan Veterans of America](#), as they strive to build an empowered generation of veterans who provide sustainable leadership for our country and their local communities. And we give travel support to several programs that help military families, such as [Folds of Honor](#), [Knights of Heroes](#), and [Wounded Heroes Family Adventures](#).

Veterans-based Partnerships



Value of tickets donated: **more than \$1M³²**

Changing Lives

Laurie has seen the positive impact of our efforts. She tells the story of a veteran named Larry Christensen who she knew through a close friend. Larry had been haunted for more than 50 years by memories of Vietnam and the friends he lost there, so Laurie encouraged him to seek closure by participating in an Honor Flight. Southwest gave Larry and other veterans tickets so they could visit the Vietnam Veterans Memorial Wall in Washington, DC.

Larry's experience at the Vietnam Memorial has brought closure to painful decades-old memories. "This experience allowed me to let go of memories I thought would never go away," Larry says. "I was able to leave the anger, hate, and sadness at the Wall along with my flight helmet."

For Laurie, stories like Larry's fuel her Servant's Heart. "Once you start connecting with veterans, you can sense the healing and the difference you can make," she says. "Anything that has to do with veterans, I want to be part of it."



"Thanks to Southwest, I was given an opportunity to see the Wall. I was able to leave the anger, hate, and sadness there, along with my flight helmet."

— Larry Christensen, Vietnam veteran



Building on a Legacy of Diversity

A lot has changed since November 1980, when Lou Freeman was hired as a Pilot at Southwest. After six years in the Air Force, Lou returned home to Dallas and got a job with Southwest. At the time, he didn't realize that he was the Company's only black Pilot. "It didn't take long to figure out," he remembers. "We only had 187 pilots."

Lou's Legacy

Throughout his career, Lou served as a Leader and mentor to Employees of all ranks. He became the first black Chief Pilot of any major U.S. airline in 1992. He served as one of our inaugural [Adopt-A-Pilots](#) participants in Washington, D.C. in 1997, helping launch our award-winning program that puts Pilots in classrooms to inspire students. Through our Continuing the Legacy in Aviation program, Lou has worked alongside the Tuskegee Airmen to show diverse youth that hard work can help them overcome barriers and achieve their dreams. And in November 2005, Lou led the crew that flew Rosa Parks' remains to her final resting place, an experience that he described as one of the greatest honors of his life.

Forging Ahead

Lou's legacy continues, as shown in Southwest's commitment to diversity and inclusion. "Southwest is a place that allowed Lou to grow and excel in what he loved dearly," says Raquel Daniels, Southwest Director of Diversity & Inclusion. "It is our desire that all Employees are able to bring their whole selves to work and use their unique gifts and talents to assist Southwest in its Vision to become the world's most loved, most flown, and most profitable airline."¹

Raquel leads our Diversity Council, a strategic Team that helps Employees build bridges and better relate and connect with one another. The Diversity & Inclusion Department hosts events throughout the year, and Council Members share in the mission of fostering an environment where all Employees feel heard and valued.

Raquel is quick to point out that Lou's legacy isn't finished, as there is still work to be done in the area of diversity and inclusion. "Building an inclusive Culture is a journey—not a fixed destination. We seek to use the inspiration that Employees, like Lou, provide to fuel us on our journey."

Employees | Building on a Legacy of Diversity

On June 8, 2017, Captain Lou Freeman flew his last commercial flight—full of friends, family, and Cohearts—from Dallas to Chicago, where he is now retired. “I and others at Southwest have been able to make the strides we have made because our Senior Leaders have always supported our efforts,” said Lou. “I’m very thankful for that.” After 36 years of service to Southwest, his legacy still breaks down barriers, inspires others to reach for their dreams, and helps make our Company a better, more inclusive place.



“Building an inclusive Culture is a journey—not a fixed destination. We seek to use the inspiration that Employees, like Lou, provide to fuel us on our journey.”

— Raquel Daniels, Southwest Director
of Diversity & Inclusion

Employees | Training, the Southwest Way



Training, the Southwest Way

At Southwest, we seek to connect People to what's important in their lives. For this reason, we encourage our Employees to continue to learn, grow, and follow their passions within our Company.

We believe in providing our Employees with opportunities for training, which helps them gain valuable skills and broadens their horizons. We also encourage movement around the Company to help share knowledge and perspective. And we always look for opportunities to promote from within.

Southwest Airlines University (SWA U) plays a pivotal role in providing Employees with training by providing access to

hundreds of training resources. In a state-of-the-art training facility, SWA U provides a centralized location for Employees to learn in realistic environments and practice on-the-job skills, with everything from a cabin simulator for Flight Attendants to Leadership training for Managers. And SWA U also offers many personal and professional education programs via our internal website.

We've found that investing in training is an investment in our future. It makes for better Employees—and that makes Southwest a stronger Company.

Here is a glimpse of how we invested in our Employees' training in 2017:

2017 Employee Training Hours

2,072,936 hours
in training & education, systemwide



Ground
Operations
740,285



Pilots
582,535



Flight
Attendants
354,942



Customer Support
& Services
255,106



Maintenance
140,068

664,026



Safety & Security training
hours for all Employees



Employees LUV WorkPerks

Even before starting her job at Southwest in August 2015, Ginisha James was so impressed by the Southwest People Department that she decided she wanted a career in human resources. “I wanted to go into human resources because of the experience I had with Southwest,” says Ginisha. “I loved the Recruiters. They made it feel like I was having coffee with my best friends—not like I was going through a tough interview process. Southwest really opened my eyes to how great the recruiting process can be.”

In December 2017, Ginisha earned her master’s degree in human resource management, with assistance from our tuition reimbursement program. “Southwest made the whole thing possible,” she says of her degree. “It was kind of tough paying for classes, so the tuition reimbursement was a big help.”

Ginisha’s family values higher education. Her father just completed his master’s degree, and her brother is in medical school. She knew she wanted to pursue her master’s degree, but money was tight, and she worried the financial burden would be too much. “Southwest offering tuition reimbursement helped me with that extra push, making it possible that I could actually do this,” she says.

Ginisha’s advanced degree has led her to another opportunity to continue to grow at Southwest—the Emerging Leader Development Program—which is a job rotational

program with extensive Leadership training that helps Employees develop strong leadership skills. Upon successful completion of the program, Ginisha will be placed in a Leadership role in Ground Operations somewhere in our network, experience she hopes to eventually parlay into a career in human resources at Southwest.

WorkPerks

Our tuition reimbursement program is just one of the many benefits, or WorkPerks, that we offer our Employees. Southwest believes in connecting People to what’s important in their lives, and WorkPerks give us a chance to connect our Employees with what’s important to them and allow them to pursue their goals. WorkPerks include health and wellness, travel privileges, Employee development and training, and generous retirement benefits, among others.

Southwest’s 2017 profitsharing award, our 44th consecutive, was the third highest in our history—\$543 million. This award equaled approximately 11.3 percent of each eligible Employee’s eligible compensation, or the equivalent of more than five weeks’ pay. When combined with contributions of \$476 million to 401(k) plans, this profitsharing award represents a total investment of more than \$1 billion in Southwest Employees for 2017.

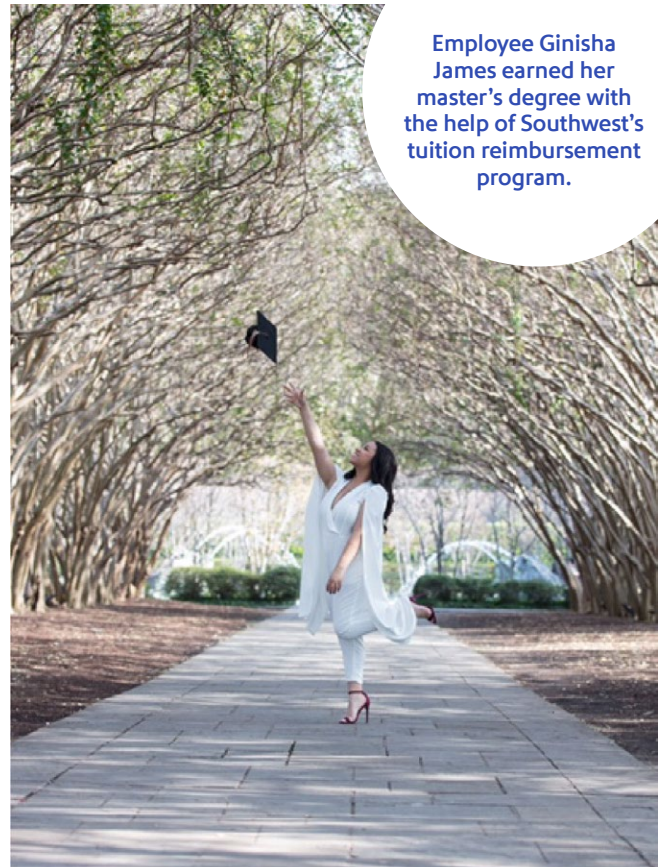
Employees | Employees LUV WorkPerks

“Our Employees never lose focus on connecting our Customers to what’s important, even in a year of great triumphs and great challenges,” said Chairman of the Board and CEO Gary Kelly at the time of the profitsharing announcement. “They continue to be the primary reason Southwest stands apart from the rest, and it’s a pleasure to be able to reward their hard work and dedication to our success.”

Ginisha agrees. “I believe the profitsharing, the 401(k)—just everything that Southwest offers—is highly motivational. Southwest doesn’t have to do any of these things, but they do them anyway. And that gives me an extra push to want to learn with Southwest, grow in my career, and show what I’m capable of.

“And I’m pretty sure it gives others that extra push as well.”

To learn more about Southwest’s WorkPerks, [click here](#).



Employee Ginisha James earned her master's degree with the help of Southwest's tuition reimbursement program.



Safety Meets Big Data

Since inception, Southwest has always been proudly People-first. For our Employees, this means working the Southwest Way—championing Safety and Reliability, extending friendly Customer Service, and offering low fares to our Customers.

Our Safety Management System (SMS) plays a vital role in our work, allowing us to reduce risk in our entire operation—our People, our equipment, and our airport facilities—by giving Employees multiple ways to report potential hazards and monitor Safety data generated across the Company.

Minimizing Risk with Big Data

“SMS is based on the idea that it’s impossible to remove all risk from our operation: we strive to lower our risk. To do that we have to measure it, and that takes data,” says Don Carter, Southwest Manager Safety Information Management System (SIMS) Analysis and SMS.

“From a big data standpoint, the important thing is not just any individual piece of data, it’s the ability to tie them together and draw connections between them,” Don says. “That’s where the real value comes in.” Since everyone at Southwest is responsible for Safety & Security, all Employees are empowered under our new SMS to spot potential hazards and are provided with several ways to report them.

Launching the SMS

The SMS was accepted by the Federal Aviation Administration in November 2017, more than four months ahead of deadline. Training Southwest’s workforce in the new SMS was a big job, but our People rose to the challenge. During the SMS launch, we used multiple communication channels to help Employees understand their role in the new system. In addition to communication and more than 20,000 hours of SMS training provided across the Company, we gave all operational Employees a Safety card that describes procedures for reporting Safety concerns, and these are worn with their badges. “Part of the SMS process is communicating regularly with our Employees, and we want our Employees to communicate regularly about Safety-related items.”

All Southwest operational departments worked together to create a single, integrated SMS for the entire Company. “In the end we wound up with a more cohesive SMS than we might have otherwise,” explains Don. “Southwest has always been collaborative and Team focused, so we developed our SMS together from the ground up. We couldn’t have done it without Teamwork, our Warrior Spirit, and everyone helping each other.”



KEY TOPIC

Customers

Customers are at the Heart of everything we do at Southwest. Our People-first philosophy lets us serve our Customers in a way that's more hospitable, more human, and more enjoyable. It lets us value individual Customers and treat them in a way that's genuine, friendly, and compassionate.

We've been in the business of caring for our Customers for decades, and so far our strategy has worked well for both our Customers and our business. A record 130+ million Customers chose to travel with us in 2017—helping us reach our 45th consecutive year of profitability.

STORIES

[Social Care: A Look Behind the Scenes](#)[Music to Our Hearts](#)

<15 min.

Average response time to Customer inquiries via social media



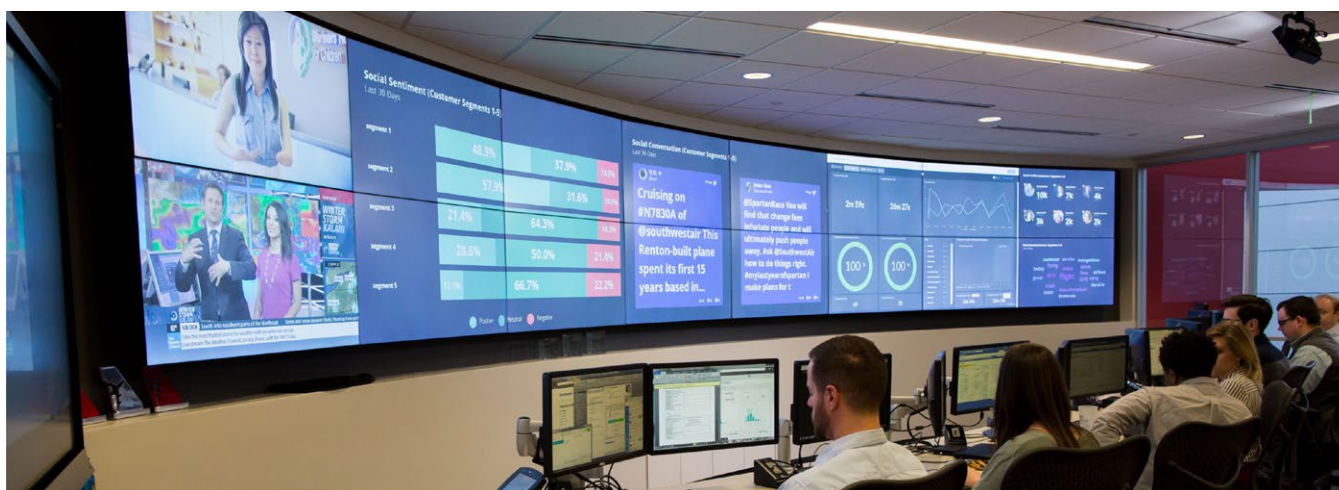
Following the tragic events in Las Vegas in October 2017, we worked with partner Musicians on Call to send musicians to visit with and lift the spirits of recovering victims in the Sunrise Hospital and Medical Center.

Nearly 3,000

Inbound social Customers' posts per day in 2017, on average



Customers | Social Care: A Look Behind the Scenes



Social Care: A Look Behind the Scenes

Social media has dramatically changed the way people connect with each other. Nearly two-thirds of the U.S. adult population now uses social networks. And social media use is still growing.

At Southwest, social media has become an important way that we interact with our Customers. On average, our Social Care Team receives nearly 3,000 inbound posts per day on our social channels.

Our Social Care Team is available to serve our Customers 24 hours a day, seven days a week to respond to comments, questions, concerns, and compliments received on Southwest's social media channels. Each of our Social Care Team Members is well versed in Company policies and procedures and has the tools to assist Customers with their in-the-moment and post-travel related inquiries. The Team can handle virtually any inquiry without needing to direct a Customer to another channel or department for service, helping Customer Service to be efficient and timely.

Social Care at Southwest

39

Number of Social Care Team Members



18.5%

Increase in volume of posts (2016-2017)



Nearly 3,000

Inbound volume of posts per day



<15 minutes

Average response time to Customer inquiries via social media



Customers | *Social Care: A Look Behind the Scenes*

Michelle Benham, Southwest's Director of Customer Relations, explains why quick response times are an essential element of good Social Care. "If you're a Customer sitting in the airport, you need answers fast. With Twitter especially, we've found that Customers want quick answers to their in-the-moment travel-related questions. So we aim to provide our Customers a response to their inquiry on Twitter in a matter of minutes, not hours. And we're always striving to get even better and faster."

Investing in Social Care

Our continuing commitment to our social media-connected Customers is embodied by our state-of-the-art Social Listening Center. In 2014, we launched the domestic airline industry's first-ever Social Listening Center at our Headquarters in Dallas. In 2017, we built on its legacy with our improved Listening Center 2.0—a redesigned Listening Center that allows us to connect with our online Customers better than ever before.

Lisa Goode, Southwest Senior Director of Social Business, can barely contain her excitement when she describes the new Listening Center's capabilities. "It really gives us a better view of everything that's happening at any given moment. If there is something going on within our operation or in the world that would impact Southwest, we have a better read on it. And that lets us get information to our Customers faster and provide our connected Customers with our legendary Customer Service."

And while the new Listening Center serves as a strong example of our Commitment to Social Care, it's only one piece of a much larger effort. Our 39-member Social Care Team touches many parts of our daily operations, with workstations in our Listening Center, Network Operations Control (NOC), and Customer Relations Department.



"Social Care is an extension of our Purpose: we're connecting People. That's the real beauty of it."

— Lisa Goode, Southwest Senior Director
of Social Business

Expanding Horizons

"Social Care is a great tool for taking care of our Customers, but we're actually doing a lot more than just responding to questions or concerns," explains Lisa. "We get to see what Customers are saying and thinking about us in real time. We get to watch their journeys, through photos and videos. We receive a lot of Employee compliments that we can share with People inside of Southwest. And it even lets us share stories with People who may not have ever flown Southwest. Social Care is an extension of our Purpose: we're *connecting* People. That's the real beauty of it."



Music to Our Hearts

Music is a universal language, and it's one way that we connect People to what's important in their lives. "Music has an innate ability to bring together people of diverse languages, backgrounds, and cultures," says Tena Griffith, Southwest Community Engagement Specialist and a member of the Southwest Music Team.

Striking a Chord with Musicians on Call

One way we shared our passion for music in 2017 was by partnering with [Musicians on Call](#) (MOC), a nonprofit organization that brings live and recorded music to the bedsides of patients in healthcare facilities across the country. The MOC partnership works in tandem with Southwest's Medical Transportation Grant Program, which provides assistance to medical patients who travel for specialized or life-changing medical care.

"Musicians on Call needed an airline partner to transport musicians and volunteers to hospitals to deliver their healing power through music," says Tena. "The partnership is a perfect fit—allowing us to share our love for music and provide the gift of travel to patients who are focused on recovery."

Through the partnership, a wide range of diverse artists have the opportunity to connect with patients through music. "These musicians volunteer their time," explains Tena. "The common denominator is that they bring music to patients and put a smile on their faces."



"At Southwest, we see music as a natural way to make heartfelt connections with our Customers and Employees. In partnering with Musicians on Call, we're able to connect with People during times of need—and we're able to lead with our Heart."

— Tena Griffith, Southwest Community Engagement Specialist

Responding to Unforeseen Needs

While our partnership with MOC includes three hospital visits each year, circumstances led us to organize a fourth in 2017. Following the tragic events in Las Vegas last October, we worked with MOC to pull together last-minute flights to Las Vegas so musicians could visit victims recovering in the Sunrise Hospital and Medical Center. After talking with the victims, country artists Filmore, The Railers, Brandon Ray, and Michael Ray performed for patients, nurses, and doctors in the hospital auditorium, bringing a much-needed respite to those dealing with the tragedy.

“At Southwest, we see music as a natural way to make heartfelt connections with our Customers and Employees,” says Tena. “In partnering with Musicians on Call, we’re able to connect with People during times of need—and we’re able to lead with our Heart.”

To learn more about our work with Musicians on Call, visit Southwest.fm.



KEY TOPIC

Communities

Whether in the air or on the ground, we believe community is more than a place—it's at the heart of what brings us together. By giving back to the communities that we serve, partnering with local charities and initiatives, and taking advantage of opportunities to make an impact on the lives of People, we demonstrate our Heart by making the connections that empower communities to thrive.

\$500,000

Donated to American Red Cross following Hurricane Harvey



Our belief in the power of civility and respect are evident in our strong commitment to People, our support for communities, and our care for the environment.

\$4 million

Value of travel assistance³² for patients in need in 2017



STORIES

[Weathering the Storms](#)[Many Different Ways to Give](#)[Investing in Tomorrow's Leaders](#)[Near to Our Heart: Civility and Respect](#)[Travel Assistance for Patients in Need](#)[Lifting Spirits While Lifting Neighborhoods](#)



Weathering the Storms

In August and September 2017, communities throughout Southern Texas, the Southeast United States, and the Caribbean were ravaged by a rapid succession of three powerful hurricanes. As Hurricanes Harvey, Irma, and Maria swept through these regions, our Employees, Customers, friends, and families were gravely impacted.

The strength and timing of these catastrophic events stretched our Employees and resources to the limit. But they also provided us with a firm reminder of the strength of our People and our dedication to the Southwest Way. Employees worked countless hours, gave selflessly of themselves, and dug deep into their Hearts to serve others. Although the storms stretched us, they did not break our Servant's Heart or dampen our Warrior Spirit.

What follows is a timeline of some of the events of those months.

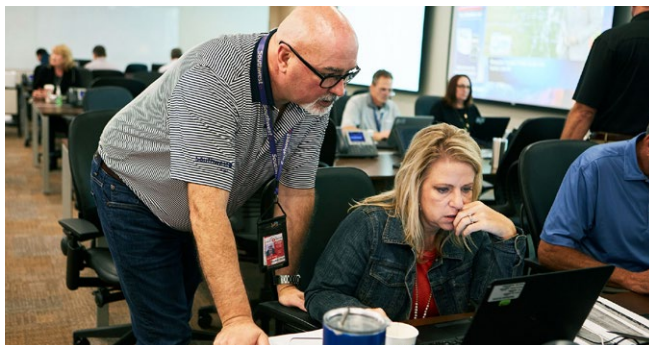
Aug. 27



After making landfall as a Category 4 Hurricane in Southern Texas, Hurricane Harvey begins to make its way toward Houston. On Saturday night, Harvey dumps nine inches of rain on the Houston Area in 90 minutes, causing devastating flooding. Normal operations at Houston's William P. Hobby Airport (HOU) are suspended. In between storm bands, five Southwest aircraft are flown from HOU to Dallas Love Field (DAL), allowing stranded Customers and Employees to evacuate.

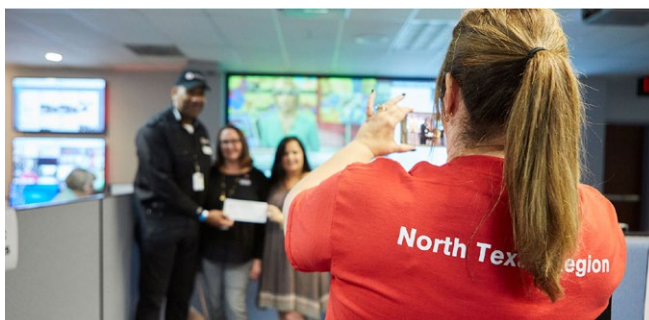
Communities | Weathering the Storms

Aug. 27



Our Weather Disruption Task Force is set up in the Headquarters Emergency Command Center (HECC) in Dallas in response to the situation in Houston. Employees work around the clock to support Employees in the affected areas and provide continuous updates about the storm, its impact, and its effect on Employees. This Task Force would remain active in the HECC for the next 67 consecutive days.

Aug. 30



With Harvey still dumping rain, we meet with members of the [American Red Cross chapter in Houston](#). Southwest committed an additional \$500,000 to the American Red Cross Disaster Relief Effort following Hurricane Harvey. We also donated five million Rapid Rewards® Points to the American Red Cross, [Team Rubicon](#), and [All Hands Volunteers](#) to fly volunteers to impacted areas.

Aug. 31



Southwest humanitarian flights begin to arrive at HOU, carrying much needed supplies—including food, water, and 5,000 pounds of rubber boots donated by Walmart in Indianapolis for Houston rescue and evacuation teams.

Sept. 1



Houston-based flight crews arrive at HOU in the wake of the storm. An Employee Resource Center is set up to help meet the immediate needs of Southwest Employees. Services include counseling, transportation, accommodations, gift cards, clothing, uniforms, food, diapers, pet food, FEMA forms, American Red Cross assistance information (shelters, pantries, etc.), and information about Southwest Airlines' Employee Catastrophic Assistance Charity (SWAECAC).

Communities | Weathering the Storms

Sept. 2



Southwest begins limited operation of commercial flights to HOU. Thanks to the many Employees who volunteered to assist our Team in Houston, full operations resume on Sept. 6, a day ahead of schedule.



Southwest provides the first of several Humanitarian Pet Lifts out of Austin-Bergstrom International Airport (AUS). Throughout all three hurricanes, we would continue to evacuate animals from Texas, Florida, and Puerto Rico animal shelters in order for those shelters to have room to take in additional displaced pets.

Sept. 3



Houston Ramp Agent Marty Herrera, a 19-year Southwest Employee, returns to his home and sits in what used to be his bedroom. The chair is an antique from his wife's grandparents and is the only piece of furniture that was saved after Hurricane Harvey flooded his home. Members of SWAECAC work around the clock to process requests and provide financial assistance to many of the other 4,200 Southwest Employees who live or work near Houston and have been affected by the storm.

Sept. 6



Southwest hosts a Company-wide fundraising telethon to benefit SWAECAC. Donations are matched dollar for dollar by Southwest, and the telethon raises more than \$1.4 million. Amazingly, the telethon is executed in roughly one week—from inception to planning to implementation. “When we were going into the telethon, we thought, ‘Okay. We’ll do this for Harvey victims,’” says Courtney Miller, a Community Engagement Communications & Outreach Specialist. “But as the days went by in our short window of planning, we realized that the next hurricane was right around the corner, so we pivoted our perspective and realized, ‘Okay. This isn’t just about Harvey anymore. This is about hurricane response in general.’”

Communities | Weathering the Storms

Sept. 8



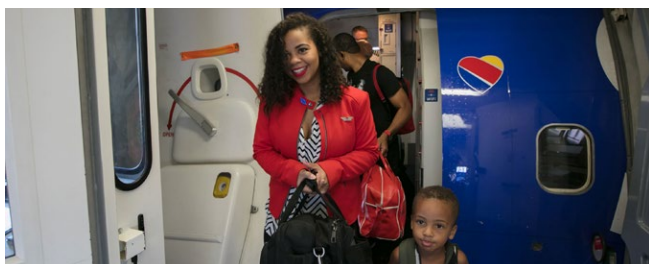
Hurricane Irma, a Category 5 hurricane, passes directly over St. Martin and Anguilla, just north of Puerto Rico. In preparation for Irma's arrival in Florida, Southwest begins humanitarian evacuation flights out of Ft. Lauderdale-Hollywood International Airport (FLL) and Southwest Florida International Airport (RSW). During Hurricanes Harvey, Irma, and Maria, Southwest cooperates with many other airlines to offer space for each other's Employees and supplies on humanitarian flights. Emergency Response Teams from Southwest, Allegiant Air, American Airlines, Alaska Airlines/Virgin America, Delta Air Lines, Hawaiian Airlines, JetBlue Airways, Spirit Airlines, and United Airlines participate in daily coordination conference calls regarding response efforts in areas impacted by Irma.

Sept. 10



Irma makes landfall in the Florida Keys as a Category 4 hurricane and begins to make its way up Florida's Gulf Coast. Southwest suspends service to and from Ft. Lauderdale, Ft. Myers, West Palm Beach, and several other locations throughout the region.

Sept. 13



From Sept. 8–28, Southwest operates 20 humanitarian evacuation flights for Employees, Customers, and their families in regions impacted by Hurricane Irma. Due to increased demand, we also operate an additional six unscheduled flights with reduced prices (capped at our lowest Wanna Get Away™ fares).

Sept. 20



Tropical Depression Maria forms in the southeastern Atlantic and intensifies to a Category 5 hurricane. On Sept. 20, the storm slams into Puerto Rico.

Sept. 24



Following Hurricane Maria's impact, heavy flight activity restrictions remain in place at the airport with only a few humanitarian flight slots³³ available each day. The first successful flight from Orlando to San Juan and back to Orlando is conducted Sept. 24. Humanitarian flights continue through Sept. 30. Southwest offers a total of 18 humanitarian flights carrying 1,288 at zero cost to the Passengers. We also offer six additional unscheduled flights carrying 924 Passengers at reduced fares.

Sept. 25



With damaged infrastructure, airport operations at Luis Muñoz Marín International Airport (SJU) in San Juan are forced to use backup generators and are left without air conditioning. Southwest makes a \$100,000 donation to the Foundation for Puerto Rico, a nonprofit organization committed to immediate relief efforts and long-term infrastructure recovery on the island.

Sept. 28



In the wake of Hurricane Maria, Southwest transports supplies to help the people of Puerto Rico begin to rebuild. Southwest is recognized by the Federal Reserve for our willingness to work with Dunbar Armored to fly millions of dollars in currency into Puerto Rico to address the immediate need for cash.

The strength, magnitude, and rapid succession of Hurricanes Harvey, Irma, and Maria were unprecedented. In many cases, rebuilding will require a long, patient process. And in some situations, things lost in the storms cannot be recovered.

However, the storms also gave us an opportunity. Throughout the hurricanes, our Employees' dedication to each other, the People that we serve, and our Purpose created unique opportunities for us to demonstrate our Servant's Heart. Simply by connecting People with what matters most to them—elements like home and family—we were able to help others weather the storms.

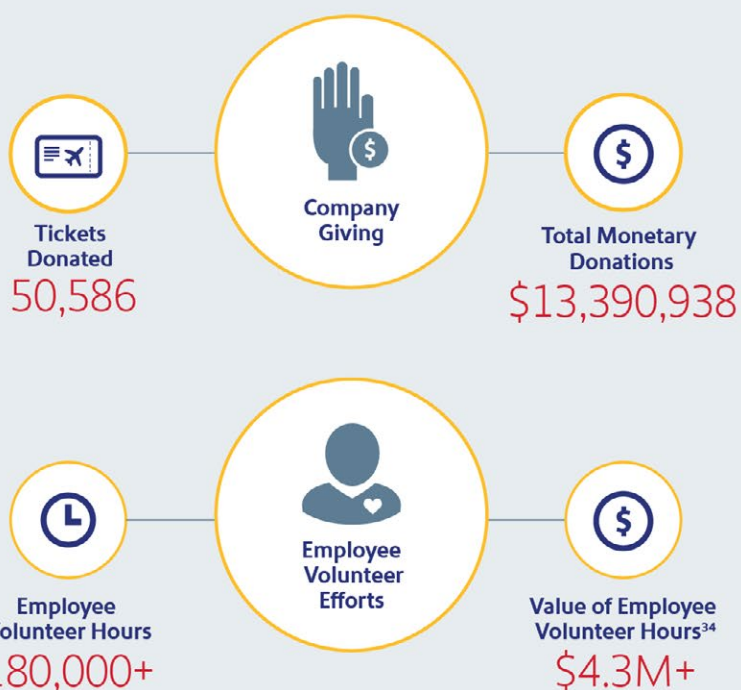
Communities | Many Different Ways to Give



Many Different Ways to Give

At Southwest, we follow The Golden Rule and seek to lead with a Servant's Heart. That is reflected in our desire to help others through volunteering and our legacy of giving back to nonprofits, programs, and communities throughout the Southwest system.

Employee Volunteer Efforts and Company Giving



More than
\$37 million

Total corporate monetary,
in-kind, and ticket donations



Investing in Tomorrow's Leaders

Southwest believes in connecting People to what's important in their lives, and that doesn't happen by accident. Living out our Purpose requires careful planning for the future, a Warrior Spirit, and lots of hard work. We seek to inspire and empower the next generation of Employees, community members, and leaders.

Adopt-A-Pilot

We believe that developing tomorrow's leaders is not a short-term strategy, as illustrated by the legacy of our Adopt-A-Pilot program, which celebrated its 20th anniversary in 2017. Since its 1997 inception as part of the U.S. Department of Education's "America Goes Back to School" effort, Adopt-A-Pilot has reached more than 550,000 students. The program allows fifth-grade classrooms around the country to "adopt" their own Southwest Pilot for a four-week educational and mentorship program. In 2017, we had more than 600 Adopt-A-Pilots teaching more than 35,000 students nationwide.

"Adopted" Pilots use an extensive curriculum to teach students about subjects like geography, math, science, and history. Having uniformed Pilots encourage learning makes the program particularly effective. "If you've ever seen a Pilot in uniform walk into a fifth-grade class, it's impressive—and it's actually pretty hard to impress a fifth grader," says Sally Harbeson, Manager of Community Outreach at Southwest.

Pilots facilitate experiments and demonstrations in the classroom (such as using a leaf blower and ping pong balls to show how a plane flies) that keep students engaged and make learning about Science, Technology, Engineering, and Math (STEM) fun. "Pilots visit the classroom at least once a week, while the teacher leads the curriculum the rest of the time," explains Sally. "And Pilots can even make an impact when they're away from the classroom, doing things like sending pictures from the cockpit or having kids track their flights." Through these interactions, Adopt-A-Pilot inspires students to apply real-world thinking to their lessons.



"While Pilots are teaching curriculum through aviation, what they're really doing is teaching values—like being a good person and doing the right thing."

— Sally Harbeson, Southwest Manager of Community Outreach

Teaching Life Skills

The lessons of Adopt-A-Pilot also go beyond traditional lesson plans. Adopt-A-Pilot seeks to instill students with what we call our FLIGHT values: fearlessness, leadership, imagination, gratitude, honesty, and tenacity. "While Pilots are teaching curriculum through aviation, what they're really doing is teaching values—like being a good person and doing the right thing," says Sally. "They're trying to inspire kids to reach for whatever they want to tackle in the future."

Additional Partnerships and Activities

Southwest's Adopt-A-Pilot program is just one of the many ways that we are working to inspire and equip the next generation. [Our Campus Reach](#) Team identifies and engages future Southwest Employees at an early age by:

- [Partnering with the Dallas Independent School District](#) in our hometown to inspire student interest in STEM careers and aviation.
- Hosting [Aviation Days](#) to provide 3rd – 8th grade students with a day-long camp that aims to educate and inspire them about the aviation industry.
- Offering [high school internships](#) that expose students to a variety of careers in aviation and emphasize the importance of education and opportunities beyond a diploma or degree.

- Facilitating [Southwest Summer Camp](#) to expose high-school-age children of Southwest Employees to the world of work at Southwest, hopefully inspiring them to join the Southwest Family as an intern or full-time Employee.
- Supporting STEM education through unique partnerships. In late 2017, [we provided a team of students](#) with round trip airfare to watch their nationally-recognized science experiment rocketed into space.

Part of Southwest's Culture

As we look forward to the next decade of Adopt-A-Pilot, we recognize Frank Jackson, who has been with the program since its inception in 1997, for embodying our commitment to youth. While Frank retired from Southwest in 2016, he still volunteers as an Adopt-A-Pilot in his hometown of Los Angeles, teaching in the inner city where he feels he can have the biggest impact. Frank is committed to spending time at the school to support the kids and their teachers. "I have a chance to help these kids to step up just a little bit. Just study a little bit harder," says Frank. In doing so, Frank is helping pass the torch to the next generation.

To learn more about our Adopt-A-Pilot program, click [here](#).

Southwest Pilot Eve Lapierre teaches eager students at Hidden Lakes Elementary in Keller, TX as part of the Adopt-A-Pilot program.





Near to Our Heart: Civility and Respect

In February 2017, *Southwest: The Magazine* featured a letter penned by our Chairman of the Board and CEO Gary Kelly entitled [Embracing Civility and the Golden Rule](#). He addressed the growing tension and discord that characterize much of our society. “We are becoming more divisive and less civil toward each other. I see it in politics and the media, and I especially see it online in social forums.” He challenged readers to embrace civility, respect for others, and a willingness to try to understand differing points of view. “I’m confident the result would be a better life for us all.”

Gary’s message struck a chord with readers. Customers and Employees began to respond with letters and emails, thanking Gary for sharing his timely and relevant message. Gary has continued to champion this message through various channels, including his [LinkedIn page](#).

At Southwest, we believe civility and respect are at the core of how we treat our Employees and our Customers. The Golden Rule and the importance of having a Servant’s Heart have always been at the Heart of what it means to Live the Southwest Way. Our emphasis on civility and respect is simply a way that we can put our beliefs into a relevant, timely context.

We understand that civility and respect are not destinations—achieving a more civil world will require ongoing conversations and actions by us and many others. Embracing civility and respect is a journey. Through this work, we hope to live out our beliefs so we can provide a strong example of civility to the world around us.



Travel Assistance for Patients in Need

In 2017, Southwest celebrated the 10-year anniversary of our [Medical Transportation Grant Program](#) (MTGP). For the past decade, we have partnered with nonprofit hospitals and medical transportation organizations throughout the country to grant them a designated number of complimentary roundtrips. Each organization then distributes tickets to the patients and caregivers who need them most.

In 2017, we touched more patients' lives than ever, donating more than 10,000 roundtrip flights to almost 100 nonprofit hospitals and medical transportation charities located in 39 cities and 26 states. Those roundtrips were valued at more than \$4 million.³²

An Area of Need

Outreach Sr. Specialist Debbie Wafford, who oversees the program for Southwest, explains the needs of these patients. "Insurance will only take care of so much—and then it's left to the patient and their family. This can put a huge financial and emotional burden on people who are already exhausted from fighting an illness. And, unfortunately, many patients who have rare illnesses have to travel quite often."

"If it were not for the help from Southwest flying me, I would not be able to receive treatment."
—MTGP beneficiary

Program Beginnings

While the program officially began in 2007, its roots have been around for much longer. Debbie remembers the early years: "Patients would call or write us directly, seeking assistance for medical travel. We just felt compelled to help. The fact that Southwest would assist with medical travel began to spread by word of mouth. Soon, there was just too much need for us to handle without an official program in place."

Establishing the MTGP

We established the MTGP in order to address patients' need for travel assistance in a more focused and efficient way. Since the program's inception, we've donated

Communities | Travel Assistance for Patients in Need

more than \$23.6 million in transportation for more than 59,000 patients and caregivers. “It’s grown each year—and we’re still finding more and more hospitals to participate,” says Debbie. “We started with just four hospitals. Now the program includes nearly 80.”

A Celebration of Purpose in Action

For Debbie, the connection to Southwest’s Purpose is clear. “Southwest believes in connecting People with what matters most in their lives. And, whether it’s you

individually, a family member, or someone else you love, it’s so important to offer care for someone’s health.”

Information about Southwest’s Medical Transportation Grant Program and a complete list of current program partners can be found at www.southwest.com/medicalgrant.

To apply for a grant, nonprofit hospitals and/or medical transportation organizations can find an application at the above website during the application season (August through September for the following grant year).

By the Numbers: Southwest Airlines Medical Transportation Grant Program

2007

Year founded



10,000+

Roundtrip flights
donated (2017)



Nearly
80

Partner organizations,
nonprofit hospitals, and
medical transportation
charities (2017)



\$4 million+

Value of donated
flights (2017)



\$23.6
million

Value of donated flights
(since inception)





Lifting Spirits While Lifting Neighborhoods

Customer Support & Services Team Leader Latasha Jones recalls feeling emotional as she worked with her Southwest Cohearts to spruce up Phoenix's Park South neighborhood, the place where she grew up. "It was a surreal feeling to walk down the street and see everybody diving in, getting trees planted," she says. "I knew some of the neighbors from when I was younger, so it was a really, really good feeling."

Latasha and 26 fellow Employees participated in the Park South project. It was spearheaded by the [Resilient Communities Initiative](#), a collaborative effort between Southwest and [Points of Light](#), which aims to transform low-income neighborhoods into thriving places of opportunity by strengthening connections among residents, building community pride, and improving quality of life. We partnered with local nonprofit [HandsOn Greater Phoenix](#), a Points of Light affiliate, to obtain input from residents on potential improvements.

Park South was showing its age and was not as lush as it once was, since many of the area's trees and plants haven't survived in the Arizona heat. Through a series of discussions, partners in the project asked members of the community what would most enhance the area. The number one request was drought-tolerant shade trees, especially along streets where local school children walk.

"The residents of this neighborhood want a walkable community," said Rhonda Oliver, President and CEO of HandsOn Greater Phoenix. "They want their neighborhood to be aesthetically pleasing."

Southwest Employees teamed up with other volunteers and residents to plant 22 trees as well as improve the surroundings at Martin Luther King Jr. Elementary School. Volunteers painted murals, built two new picnic tables and a sandbox, repaired a shade structure, and refreshed the outdoor classroom and garden.

Our work in Phoenix is one example of our commitment to lifting up the communities we serve. Park South is one of three communities that received assistance in 2017 from Southwest and Points of Light. Throughout 2017, we donated a total of \$300,000, and Employees volunteered hundreds of hours to support the Resilient Communities Initiative and projects in Phoenix, [Atlanta](#), and Chicago through the Southwest Airlines Heart of the Community program. Through a separate partnership with [Project for Public Spaces](#), we also awarded \$570,000 in grants to revitalize two public parks in [Oklahoma City](#) and [Buffalo](#), and a city plaza in [New Orleans](#). These grants enable our local community partners to help bring new life to public spaces in an effort to connect our Employees and Customers in the cities where they live, work, and play.

Communities | Lifting Spirits While Lifting Neighborhoods

By working with a range of partners, both nationally and locally, we seek to ensure that our community impact efforts have a lasting effect. The issues that we seek to address are often complex, nuanced, and differ from community to community. Building strong, resilient communities does not depend on the efforts of single individuals or organizations; it requires planning, cooperation, and collaboration from many contributors. We remain committed to connecting People to what's important in their lives and working with others to help build a better future.

**These grants enable our local
community partners to help
bring new life to public spaces in
an effort to connect our Employees
and Customers in the cities where
they live, work, and play.**

Looking Forward¹



Hawaii Service

Our planned service to Hawaii will allow us to serve an even more diverse set of Customers and communities.

Louisiana One

We are thrilled to welcome *Louisiana One* in 2018, as our 12th state-themed aircraft in Southwest's specialty fleet! On the heels of New Orleans' tri-centennial celebration, Southwest thanks our Employees and loyal Customers for 39 years of dedicated service with a state-dedicated Boeing 737-700 emblazoned with an artist's rendition of the Louisiana State flag.

Innovation Station

Southwest's continuous improvement, innovation, and data science Teams help us strive to never rest on our laurels. Stay tuned for exciting enhancements for both Customers and Employees!

People Data Table

	2017	2016	2015	2014	2013
Employees					
Active, full-time equivalent Employees at yearend ¹⁴	56,110	53,536	49,583	46,278	44,831
Employees By Gender					
Active, full-time equivalent Employees at yearend, by gender ¹⁴	58 % Male 42 % Female	57 % Male 43 % Female	NR	NR	NR
New Hires during the reporting period, by age and gender: under 30 years old	1,223 Male 940 Female	NR	NR	NR	NR
New Hires during the reporting period, by age and gender: 30-50 years old	1,831 Male 996 Female	NR	NR	NR	NR
New Hires during the reporting period, by age and gender: over 50 years old	405 Male 448 Female	NR	NR	NR	NR
Employees By Division³¹					
Flight	23,561 42 %	22,133 41 %	21,108 42 %	20,013 43 %	19,003 42 %
Maintenance	2,960 5 %	2,951 6 %	2,795 6 %	2,632 6 %	2,689 6 %
Ground, Customer, and Fleet Services	20,175 36 %	19,497 36 %	17,315 35 %	15,739 34 %	15,464 35 %
Administrative (Technology, Management, Finance, Marketing, Clerical Personnel)	9,414 17 %	8,955 17 %	8,365 17 %	7,894 17 %	7,675 17 %
Benefits					
Active and inactive Employees who participate in benefits program	More than 59,800	More than 56,300	More than 52,000	More than 49,000	More than 48,000
Employee benefit programs excluding 401(k) and ProfitSharing plans and share-based compensation (accrued) ³⁵	More than \$1.1 billion	More than \$1 billion	More than \$950 million	More than \$880 million	More than \$830 million
401(k) savings plan participation	93 %	92 %	92 %	93 %	Nearly 89 %
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees
Company contributions to 401(k) and ProfitSharing plans	More than \$1 billion	More than \$936 million	More than \$945 million	Nearly \$644 million	Nearly \$500 million

People Data Table

	2017	2016	2015	2014	2013
Training					
Pilot hours	582,535	457,563	476,272	546,867	193,644
Flight Attendant hours	354,942	443,295	241,900	474,973	115,900
Maintenance hours	140,068	147,312	148,281	154,723	145,069
Customer Support & Services hours	255,106	175,447	214,745	128,845	57,769
Ground Operations hours	740,285	730,088	656,365	693,687	911,358
Safety & Security hours (all Employees)	More than 660,000	More than 811,000	More than 800,000	More than 820,000	More than 580,000
Customers					
External Customer commendations	More than 107,000	More than 105,000	More than 89,000	More than 75,000	Nearly 70,000
Ratio of external Customer commendations to personnel rudeness complaints	8:1	6:1	4:1	4:1	Nearly 5:1
American Customer Satisfaction Index (ACSI)	80	80	78	78	81
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.47	0.47	0.52	0.50	0.34
Percentage of reported flight operations arriving ontime	78.7	80.8	79.7	73.0	76.7
Number of mishandled bags reported per 1,000 Passengers	2.83	2.98	3.31	4.06	3.72
Passengers denied boarding per 10,000 Passengers	0.53	0.99	1.08	1.03	1.06
Communities					
Donation requests received systemwide	17,032	15,237	14,995	15,046	17,941
Tickets donated	50,586	53,291	38,936	43,188	44,019
Total monetary donations	\$ 13,390,938	\$ 3,280,307	\$ 3,258,761	\$ 2,748,305	\$ 2,034,431
Total corporate monetary, in-kind, and ticket donations	\$ 37,043,294	\$ 25,324,794	\$ 19,571,177	\$ 20,128,153	\$ 18,951,092
Monies raised through official Southwest fundraising efforts	\$ 500,000	\$ 675,000	\$ 675,000	\$ 640,000	\$ 700,000
Employee volunteer hours	More than 180,000	Nearly 150,000	More than 145,000	More than 144,000	More than 144,000
Value of Employee volunteer hours ³⁴	More than \$ 4,300,000	More than \$ 3,500,000	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 83 %
Employee human rights training hours	More than 39,000	More than 51,000	More than 22,000	More than 54,000	More than 20,000
Employees trained on human rights	40.4 %	44.4 %	36.1 %	46.4 %	6.7 %
Employees and business associates who acknowledged the Code of Ethics	More than 63,000	More than 59,000	More than 53,500	More than 50,800	More than 46,500

Minding Our Impact on the Planet

Key Accomplishments	80
Energy Use	81
Greenhouse Gas (GHG) Emissions	86
Waste	93
Looking Forward	99
Planet Data Table	100

Southwest operates more than 4,000 daily flights during peak travel season. Even small improvements can add up to a large cumulative impact, so we strive to constantly reduce our environmental footprint however we can. By working to minimize our environmental impact, we can safeguard our ability to protect our planet for both current and future generations.



KEY ACCOMPLISHMENTS



Our CO₂e
intensity ratios have
improved for the

6th
straight year

31.8%



We have **improved jet fuel efficiency by 31.8%** on a revenue ton mile (RTM)³⁶ basis since 2005.

675,000 lbs.

We repurposed **675,000 pounds of used leather**, diverting this material from landfills.



KEY TOPIC

Energy Use

Operating an airline requires energy use, so we are always looking for new ways to use energy more wisely. From our new fuel-efficient Boeing 737 MAX 8 aircraft to the innovative ways we are automatically reducing energy use at our Headquarters in Dallas, we continually work to reduce our energy consumption and minimize our environmental footprint.

STORIES

[Pushing Innovation
in Fuel Efficiency](#)[Load-Shedding: Managing
Energy Consumption at
Our Headquarters in Dallas](#)

Smart Investments

Amount invested in fuel efficiency improvements since 2002.



Planning for Better Fuel Efficiency

Refining our fuel planning calculations and flight planning procedures enabled us to save more than 8.5 million gallons of fuel in 2017.

Energy Use | Pushing Innovation in Fuel Efficiency



Pushing Innovation in Fuel Efficiency

Because it's our largest energy source, we continually challenge ourselves to find new ways to conserve jet fuel.

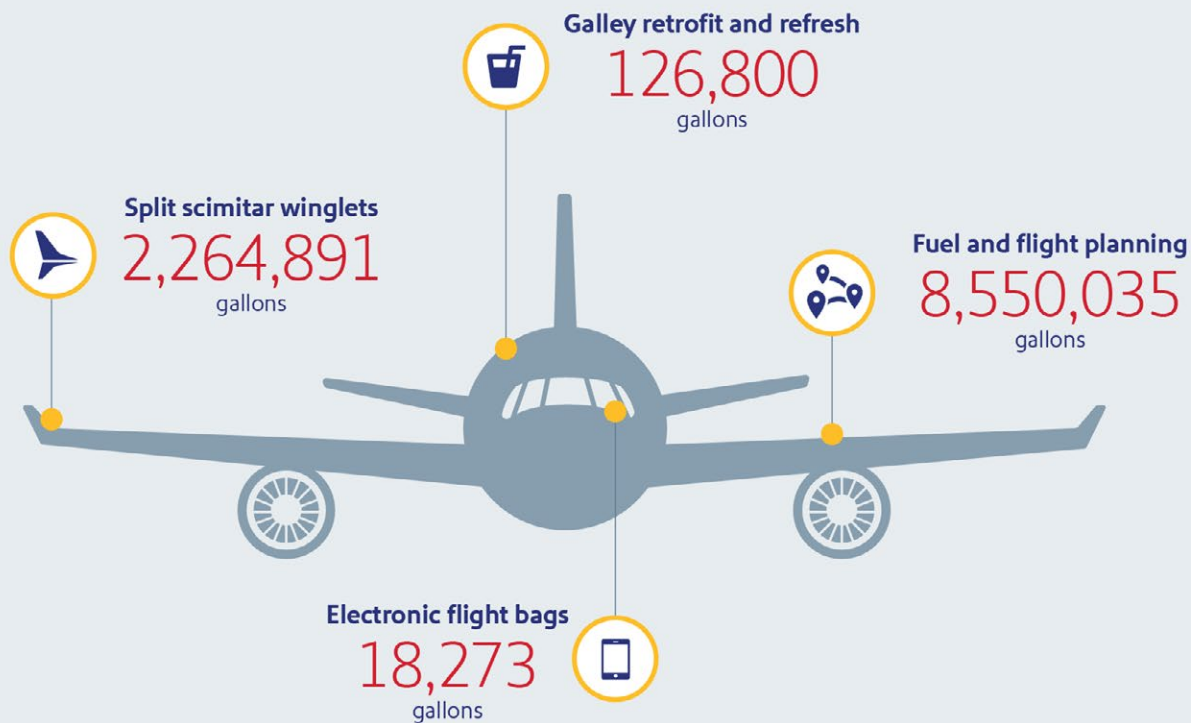
Fuel efficiency initiatives are directly linked to our ability to maintain a low-cost advantage in the airline industry. We have invested more than \$590 million in fuel efficiency improvements since 2002, including adding winglets to our aircraft, engine washes, use of ground power at airport gates, and reduced ground idle speeds. All of our Boeing 737-800 and 737 MAX 8 aircraft have split-scamper winglets installed to reduce air resistance, resulting in additional savings of 1.7 million gallons of fuel and 16,679 metric tons of CO₂e in 2017 compared with 2016.

We also continued our fleet modernization program in 2017. Updating our aircraft helps us be more fuel efficient.¹

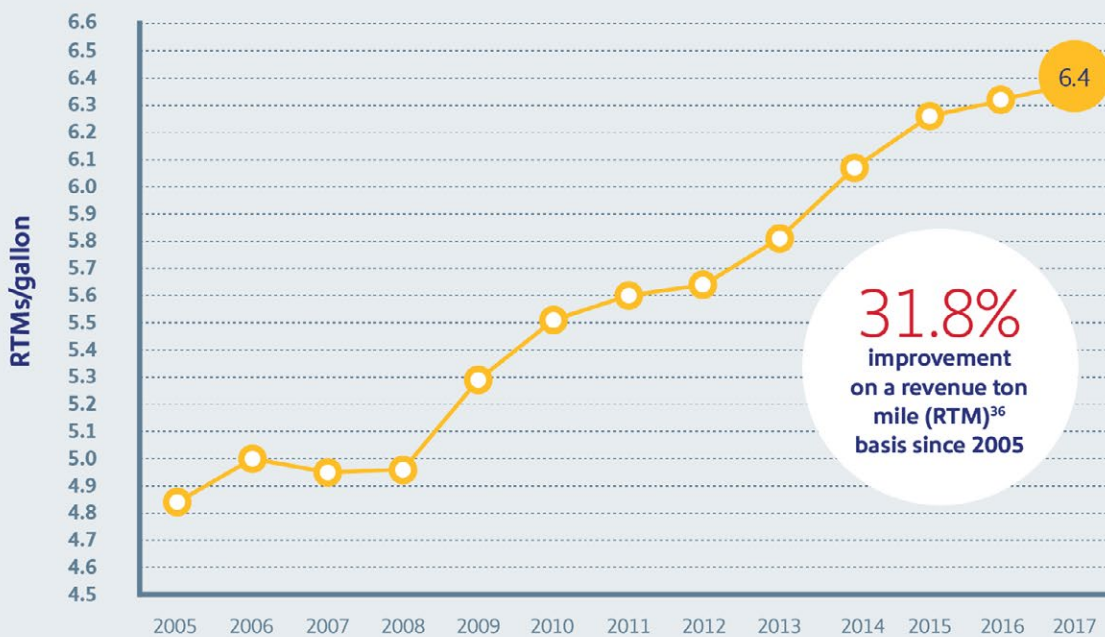
We have invested more than \$590 million in fuel efficiency improvements since 2002, including aircraft winglets, engine washes, use of ground power at airport gates, and reduced ground idle speeds.

Energy Use | Pushing Innovation in Fuel Efficiency

2017 Jet Fuel Conservation



Historic Jet Fuel Efficiency Improvement



Energy Use | Respecting Our Resources by Using Them Efficiently



Load-Shedding: Managing Energy Consumption at Our Headquarters in Dallas

Responsible Power Use

Every day, thousands of Customers rely on Southwest to carry out our Purpose: connecting People to what's important in their lives through friendly, reliable, and low-cost air travel. While our Employees are known for their friendliness and Hospitality, Reliability and affordability usually depend on actions that occur behind the scenes, away from the public eye—such as our energy load-shedding program at our Headquarters in Dallas.

Energy Usage and the Local Grid

During the summer, energy consumption in the Dallas area spikes when temperatures rise. Spikes in energy use can max out the region's power grid, leading to greater risk of brownouts or service disruptions. And companies that use large amounts of power during peak times often pay much more for energy year-round.

Load-Shedding

Through our energy load-shedding program, we've implemented a system that benefits the planet, the local power grid, and Southwest by reducing our energy consumption. Using a brand-new network of connected energy meters and smart controls, we are able to automatically turn down equipment in our buildings that consumes large amounts of energy when our system senses a usage spike on the grid.

Through our energy load-shedding program, we've implemented a system that benefits the planet, the local power grid, and Southwest by reducing our energy consumption.

"Most people understand energy use in terms of a house or an apartment complex, where you can reduce energy use by turning off a light or two," explains Matt Lowe, Southwest's Corporate Facilities Building Manager. "When you're talking about a facility with over 1.75 million square feet, things get a little bit more complicated. You have to know exactly which equipment you can turn off, and for how long."

The program focuses on equipment like rooftop chillers and pumps that draw large amounts of energy for air cooling. "We can hit one button and all of that equipment automatically resets itself up to higher temperatures to consume less energy," says Matt. "We can't just leave the power off, because at some point the work environment would get pretty uncomfortable. But we can get by for two or three hours, until peak demand decreases."

Energy Use | Respecting Our Resources by Using Them Efficiently

Connected to Purpose

Our load-shedding program has helped the Dallas area's power grid, which lowers Southwest's exposure to disrupted energy service. "We need to make sure that energy supply doesn't affect our operation," says Matt.

But he is quick to point out that Southwest's investment in load-shedding also helps the Company's bottom line. "Another great thing about this program is that it will eventually pay for itself. We're using less power, so we're

also saving money." In the first year of load-shedding, Southwest reduced energy expenditures by more than \$163,000, and in years ahead, systems are expected to be fine-tuned and optimized.

"And these are the kind of benefits that trickle down to the Customer. Load-shedding is like a behind-the-scenes look at how our Company is able to strive for operations that are reliable and that we are working to maintain a low-cost advantage in the airline industry."



KEY TOPIC

Greenhouse Gas (GHG) Emissions

Our position as the largest domestic airline⁵ allows us to carry out our Purpose day by day: connecting People to what's important in their lives through friendly, reliable, and low-cost air travel. We continue to be a leader in the domestic airline industry in emissions reductions through increased fuel efficiency, part of our focus on living responsibly and decreasing our impact on the planet.

STORIES

[Stronger Together: Fostering Environmental Partnerships](#)[Electricity Sparks Fuel Savings](#)[Reducing Emissions by Striving to Be the Best](#)

6 years

In a row of improving our CO₂e intensity ratios



Replacing fossil-fuel ground support vehicles with electric ones saves fuel and helps us keep costs low. As part of our program to modernize our Ground Support Equipment (GSE) fleet, Southwest invested \$7.9 million in electric vehicles in 2017.

1,502

Pieces of electric GSE systemwide



Greenhouse Gas (GHG) Emissions | Stronger Together: Fostering Environmental Partnerships



Stronger Together: Fostering Environmental Partnerships

Teamwork has always been at the Heart of Southwest. While we celebrate our Employees for their uniqueness and individuality, it's the sum of our People that truly makes Southwest great. All of our Cohearts, particularly our Frontline Employees, must work together to connect our Customers to what's important in their lives.

We believe what works well for our Company can also work well for the planet. Southwest partners with organizations we believe complement and reinforce our values and help us promote natural resource preservation and conservation.

Student Conservation Association (SCA)

- **What they do:** SCA seeks to build the next generation of conservation leaders and inspire lifelong stewardship of the environment and communities by engaging young people in hands-on service to the land.
- **Why we partner with them:** SCA focuses on preservation and conservation by encouraging late high school and college-age students to learn environmental stewardship through hands-on activity. Older students hold a unique position in their communities—they can

influence and promote conservation in ways that are unique to them.

EcoRise

- **What they do:** EcoRise provides schools with curriculum based on the principles of sustainability. It also provides professional development to sustainability educators.
- **Why we partner with them:** We believe that EcoRise's K-12 curriculum and teacher-focused approach strongly complements our partnership with SCA. By partnering with EcoRise, we can equip educators to instill environmental principles and problem-solving skills in younger students.

National Forest Foundation

- **What they do:** The National Forest Foundation engages Americans in promoting the health and public enjoyment of our national forests.
- **Why we partner with them:** The National Forest Foundation takes a holistic view on the importance of forestland to the ecosystem—looking at the importance of trees, waterways, and watersheds from a 30,000-foot level. They focus on how healthy forests are integral to culture, community development, and prosperity.

Groundwork Dallas

- **What they do:** Groundwork Dallas is dedicated to improving the natural surroundings of the Dallas area. We work closely with area citizens, like-minded organizations, and the city to help realize a vision of a safer, cleaner, and healthier environment.
- **Why we partner with them:** While many of our other partnerships have a national reach, Groundwork Dallas gives us a chance to focus on environmental progress right in our own backyard. This partnership seeks to train and activate individuals to take care of local natural surroundings.

National Recreation & Parks Association (NRPA)

- **What they do:** NRPA works to advance parks, recreation, and environmental conservation efforts that enhance the quality of life for all people.
- **Why we partner with them:** NRPA focuses heavily on community engagement and bringing people together, particularly in disproportionately affected neighborhoods and communities. Through this partnership, we work with city and municipal governments, nonprofits, and other community organizations to promote and protect green infrastructure, as it can greatly benefit aesthetics, air quality, and water quality.

Like Southwest, our partners actively seek to make connections—with individuals, communities, and the environment. By picking partners whose objectives are consistent with ours and each other, we hope to promote and accelerate environmental progress. The work they are doing in education, environmental conservation, and community engagement constitutes an investment in our collective future.

Greenhouse Gas (GHG) Emissions | Electricity Sparks Fuel Savings



Electricity Sparks Fuel Savings

A look outside an airport terminal window reveals a complex, ever-moving network of busy equipment, from baggage carts to aircraft pushback tractors. Our Ground Support Equipment (GSE) plays a crucial role in getting our Customers to their destinations safely and on time.

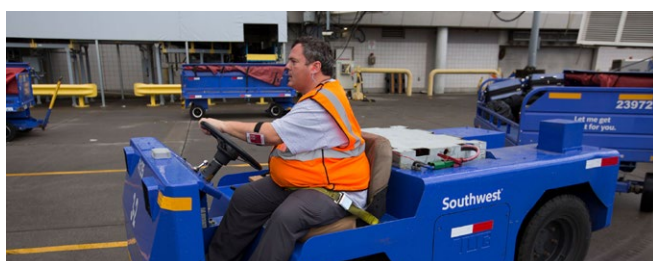
As part of our ongoing program to modernize our GSE fleet, Southwest invested \$7.9 million in electric vehicles in 2017. Replacing fossil-fuel vehicles with electric ones saves fuel, reduces our operating costs, and bolsters our effort to provide low-cost air travel.

GSE Fleet and Fuel Savings



Southwest has 6,900 pieces of powered ground equipment that are used to support our fleet of over 700 airplanes. “Our fuel savings efforts are largely focused on saving fuel in the aircraft, but that’s not the full extent of what we can do,” says Adam Walters, Southwest Senior Environmental Specialist. “When you’re converting equipment on the ground, it’s another way that we can manage our impact on the environment and our bottom line.”

Electric GSE



This baggage tug is a new electric vehicle that is part of our initiative to modernize our GSE fleet, making it more efficient and reliable by running on electricity instead of traditional gasoline or diesel fuel.

[Greenhouse Gas \(GHG\) Emissions](#) | [Electricity Sparks Fuel Savings](#)

Reliability and Efficiency



“New electric vehicles make our Ground Operations more reliable and efficient,” says Larry Laney, Southwest’s Director of Ground Support Operations, “and that makes our Customers and Employees happy. Our Vision is to become the world’s most loved, most flown, and most profitable airline¹—and Ground Support Operations is just one spoke in the wheel of providing great service.”

Better for Our Employees



Our Ramp Agents appreciate that electric GSE, such as this belt loader, are quieter and cleaner than gasoline or diesel-powered machines.

Greenhouse Gas (GHG) Emissions | Reducing Emissions by Striving to Be the Best



Reducing Emissions by Striving to Be the Best

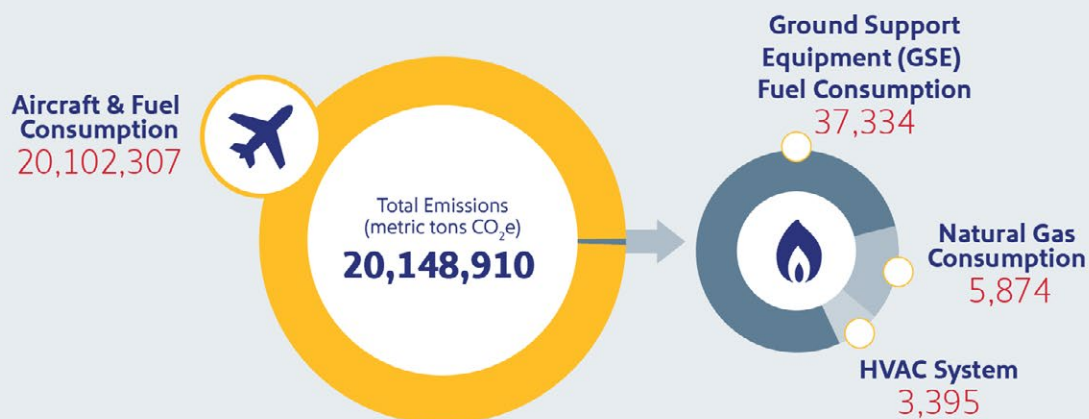
To better understand our impact on the planet and to increase the transparency of our operations, we have voluntarily tracked and reported our greenhouse gas (GHG) emissions since 2009. In 2017, we improved our CO₂e intensity ratios for the sixth consecutive year. While overall CO₂e emissions may continue to go up as the Company grows, we will continually look for opportunities to reduce our emissions intensity.

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



Greenhouse Gas (GHG) Emissions | Reducing Emissions by Striving to Be the Best

2017 Scope 1 Emissions Breakdown



2017 Scope 2 Emissions Breakdown



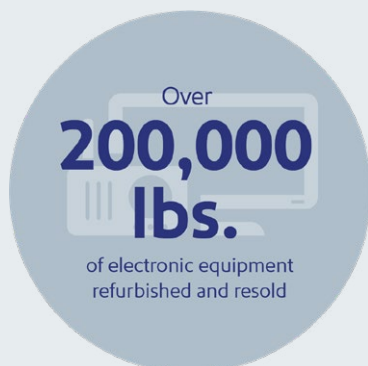


KEY TOPIC

Waste

We see waste as an opportunity. Repurposing and reusing resources instead of throwing them away isn't easy—it takes time, thought, and effort. However, breathing new life into used material provides a tremendous opportunity to improve our impact on the planet. At Southwest, we emphasize recycling and reuse throughout our Company, as we seek to do more with our planet's finite natural resources.

STORIES

[Repurpose with Purpose](#)[Managing Our Electronic Waste](#)[Investing in an Improved Blending System for Deicing Fluid](#)

Limiting e-Waste

Last year, over 200,000 pounds of our used electronic equipment was refurbished and then resold, extending its lifecycle.



Landfill Diversion

Our recycling and energy recovery efforts kept 3,737 tons of waste out of landfills in 2017.



Repurpose with Purpose

What would you do with 675,000 pounds of used leather?

That's a question that Southwest has faced for years. "We regularly renovate the interiors of our aircraft," says Todd Spinks, Southwest's Citizenship Advisor. "Southwest operates more than 4,000 weekday departures during peak travel seasons, so our cabin interiors get a workout. Sometimes the aircraft just needs a few new seat covers to replace worn or ripped seats. But other times everything is taken out, and new carpet and seats are installed to align with current branding style."

"Every month, between 12 and 18 planes go through some part of this process. Each aircraft has either 143 or 175 seats, so each aircraft can potentially give us a considerable amount of material that we can repurpose."

Repurpose with Purpose

The Repurpose with Purpose program first began in [2013](#), following the *Evolve* retrofit program, which updated Southwest's leather aircraft seat covers. At the project's onset, we hoped Repurpose with Purpose would encourage partners around the world to reuse and repurpose leather to better people's lives and raise industry standards for the environment and the communities in which they operate. In 2017, we continued to expand the program, repurposing nearly 675,000 pounds of seat covers and other surplus materials.

The benefits of the Repurpose with Purpose program are twofold. By upcycling materials from aircraft interiors and turning them into products like [bags](#), [jewelry](#), and [golf club covers](#), Southwest reduces the amount of waste sent to landfills. And the program also benefits communities in the U.S. and Mexico—providing opportunities for careers, economic empowerment, and skills training.

Our Partners

- **Arise:** Jennings, Missouri-based nonprofit [Arise Veteran Foundation](#) provides art instruction and skills-building programs for youth, veterans, seniors, and other disadvantaged groups. Arise's veterans rehabilitation programs use upcycled leather from Southwest aircraft seat covers to foster the development of entrepreneurial skills and generate income. Arise also shreds and deconstructs leather material to be used as padding for products in the furniture and automotive industries.
- **Carla Fernández:** Mexican fashion designer [Carla Fernández](#) works with artisans in seven different communities throughout Mexico to upcycle Southwest aircraft seat covers into sellable goods. These artisans create textile and embroidery designs that preserve Mexico's rich cultural heritage and help generate income for themselves and their local communities.
- **Dallas Designing Dreams:** Dallas-based nonprofit [Dallas Designing Dreams](#) (DDD) provides workshops, volunteer opportunities, sewing classes, and training

Waste | Repurpose with Purpose

in a creative space to individuals with “dreams or broken dreams.” DDD has produced a line of items including golf club covers, jewelry, backpacks, tote bags, and luggage tags from aircraft seat covers and old Southwest Employee uniforms. By selling one-of-a-kind art and handmade products online and in the local marketplace, DDD offers alternatives to the mainstream shopping experience while connecting Customers with local producers.

- **Looptworks:** In 2017, we also continued to work with one of our original LUV Seat partners, [Looptworks](#). Looptworks is a Portland, Oregon-based business that upcycles or repurposes abandoned, pre-consumer and post-consumer materials into limited edition products. Looptworks engages veterans and people with disabilities in the local community to provide skills and economic opportunities. Reverse engineering their entire supply chain, Looptworks is driven to be as sustainable as possible by creating jobs, reducing environmental impact, and helping communities.
- **Rethreaded:** Jacksonville, Florida-based nonprofit [Rethreaded](#) offers a line of upcycled leather jewelry and accessories while creating career opportunities for women who have experienced exploitation and trauma coming out of human trafficking. The program offers the women three months of on-the-job training, mental health counseling, crisis management, and case management. They are then fully integrated into the business through one of five departments and are pivotal in all aspects of the organization.

Changing Lives—One Seat Cover at a Time

As Repurpose with Purpose continues to grow, lives are being changed. Each of the program partners uses the materials in different ways, and they are addressing different social challenges. But the common thread that unites all of the partnerships is that people's lives are being impacted. Renata Bryan, a survivor and Rethreaded employee, explains, “I had given up on society because I thought society had given up on me. And now, here I am today, a successful business woman.” Renata's fellow employee, Carrie Smals, believes that repurposing Southwest leather creates job security: “It keeps me off the streets, and it keeps my sisters off the streets.”

Doing the Right Thing

Todd says, “When I first started working at Southwest, I sat down with Bill Tiffany, Southwest's Vice President of Supply Chain Management, who oversees the collection and storing of all this surplus material. I asked him about our strategies, logistics, costs, and the rate at which material was coming in.

“After Bill addressed my questions, I said, ‘Well okay, I will do my best to get all of these materials distributed so that we can realize some cost savings as quickly as possible.’ He looked at me and said, ‘Todd, I appreciate your attention to cost because it is central to our low-cost mission. This is also about doing the right thing.’

Our Repurpose with Purpose program is about doing the right thing.

“That was a pinnacle moment during my early days at Southwest. Having such a strong advocate at the Executive level who is passionate about doing the right thing only invigorated my belief that we have created a successful program and affect people's lives for the better.”



Managing Our Electronic Waste

Across our network of domestic and international destinations, more than 56,000 Southwest Employees rely on technology to provide our Legendary Customer Service. From check-in kiosks and handheld devices to desktop computers and laptops, technology keeps us moving forward. This technology periodically needs to be refreshed as it wears out or becomes outdated. Routine replacement of old technology generated more than 300,000 pounds of used equipment in 2017. Cumulatively, over the past ten years, we have recycled or repurposed old technology equipment equivalent to the weight of more than three of our new Boeing 737 MAX 8 aircraft.

e-Waste

Electronic waste (or “e-waste”) can pose environmental risks if not disposed of properly. If e-waste is disposed in a landfill, heavy metals such as lead and mercury can impact the environment if they leach from the landfill and enter groundwater or stormwater. Furthermore, when precious metals are not recycled, manufacturers may need to rely on additional mining of precious metals.

The majority of Southwest’s e-waste stream is repurposed.

Disposing of Our e-Waste

To minimize our environmental impact, Southwest partners with certified electronics recyclers who help us recycle e-waste properly. These partners are required to implement quality assurance programs in their recycling process to verify that data is secure or erased and that materials are not lost or misused. Throughout the recycling process, e-waste is tracked precisely—down to the serial number. We audit all of our recycling partners in order to select companies that meet these stringent requirements.

Repurpose and Recycle

The majority of Southwest’s e-waste stream is repurposed. Equipment that no longer meets the performance standards required by our Employees may still be serviceable for a broader audience. This equipment is refurbished and then resold, extending its life-cycle. Last year, more than 200,000 pounds of Southwest’s e-waste was repurposed in this way.

When a piece of hardware is not deemed reusable, many of its parts still are valuable commodities. Such pieces can be purchased by manufacturers on the open market. Unusable materials recovered from dismantled technology are shredded, separated, and recycled, further reducing the need to mine precious metals like gold, silver, copper, platinum, and palladium.

e-Waste Transportation

Southwest also limits the environmental impact of our e-waste by streamlining transportation of these materials. Since Southwest flights already arrive and depart from Dallas Love Field Airport, which is next door to our Headquarters, we piggyback Southwest's e-waste collection onto regularly scheduled flights. Moving our e-waste to one central pickup location using flights that are already scheduled reduces shipping footprints, as well as our environmental impact.

Refurbished and Resold



More than
200,000
pounds of e-waste was given
an extended life.

This equipment was refurbished
and resold so it could be used
by another audience.

Waste | Investing in an Improved Blending System for Deicing Fluid



Investing in an Improved Blending System for Deicing Fluid

Flying in cold weather is a regular part of air travel.

But, when temperatures on the ground get cold enough to freeze, contaminants like frozen slush, snow, and ice can adversely affect aircraft. Once airborne, commercial airplanes are equipped with special anti-ice systems that allow them to keep from freezing while they are in the air. But prior to flying, Ramp Agents must remove ice that may have accumulated on the aircraft.

Enter the Icemen

Deicing is accomplished by spraying heated fluid onto an aircraft. Deicing fluid is applied to aircraft from large tank trucks by specially-trained Ramp Agents, fondly referred to as “Icemen” by Pilots. The fluid protects aircraft by removing ice from a plane’s surfaces.

Sight Blending

Different temperatures require different mixtures of deicing fluid; colder air temperatures require more concentrated mixtures. Until a few years ago, Southwest mixed this solution using a manual and time-intensive process known as “sight blending.” Ratios of deicing fluid to water were calculated, measured, and manually blended, one truck tank at a time. While the method proved effective for deicing, the time-consuming process often resulted in deicing fluids that were more highly concentrated than necessary.

Fluid Blending System

In 2017, Southwest invested in an all-new deicing fluid blending system for many of our cold-weather airports. This system features computer-controlled mixing hardware that is easily adjusted based on changes in temperature or to compensate for the blended fluid that might already be in a truck. The system also reduces the risk of overfilling, lowering the chance for waste or spillage.

Better System, Better Results

The new system allows our Ramp Agents to use less deicing product, reducing our consumption and reducing our environmental footprint. The system also saves time. Loading a deicing truck previously took between 30 and 45 minutes; with the new fluid blending system, Ramp Agents can fill a truck in 10 to 15 minutes. And since the new system allows us to reduce consumption and streamline operations, it is also good for our business—helping us keep our costs low.

Since the new system allows us to reduce consumption and streamline operations, it is also good for our business—helping us keep our costs low.

Looking Forward¹



Continue Repurposing Program

We will continue to look for innovative ways to repurpose and recycle materials.

Increase number of Boeing 737-800 and 737 MAX 8

By the end of 2018, we expect to have 26 additional 737-800s and 19 additional 737 MAX 8s to end the year with a fleet of 752 planes.

Deepen Partner Relationships

We will continue to collaborate and deepen our relationships with partners who will help make progress toward our environmental goals and priorities.

Planet Data Table

	2017	2016	2015	2014	2013
Environmental Impacts					
Total energy consumption (megawatt-hours (MWh)) ³⁷	79,203,011	77,366,032	73,688,161	69,827,294	70,493,624
Production activity (revenue ton miles (RTMs) ³⁶)	13.0 billion	12.6 billion	11.9 billion	10.9 billion	10.6 billion
Intensity ratio (MWh/1,000 RTMs)	6.08	6.13	6.20	6.39	6.68
Water consumption (gallons) ³⁸	85 million	83 million	80 million	83 million	69 million
Intensity ratio (gallons/Employee) ¹⁴	More than 1,500	More than 1,500	More than 1,600	Nearly 1,800	More than 1,500
Greenhouse Gas Inventory (Scope 1 and Scope 2 Emissions)					
Scope 1 emissions (metric tons of carbon dioxide equivalent (CO ₂ e))	20,148,910	19,664,622	18,731,062	17,784,227	17,956,473
Scope 2 emissions (metric tons of CO ₂ e)	51,634	53,264	48,810	51,228	47,680
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO ₂ e)	20,200,544	19,717,886	18,779,872	17,835,455	18,004,153
Intensity ratio (metric tons CO ₂ e/1,000 RPMs) ¹²	0.157	0.158	0.160	0.165	0.173
Intensity ratio (metric tons CO ₂ e/1,000 ASMs) ¹⁰	0.131	0.133	0.134	0.136	0.138
Intensity ratio (metric tons CO ₂ e/1,000 RTMs)	1.55	1.56	1.58	1.63	1.70
Greenhouse Gas Inventory (Scope 3 Emissions)					
Capital goods—production of aircraft (metric tons CO ₂ e)	62,900	43,600	26,500	53,000	32,000
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO ₂ e) ³⁹	1,900	2,700	2,400	4,600	5,100
Employee commuting—estimate based on survey (metric tons CO ₂ e)	214,200	218,600	183,600	174,000	188,000
Other Air Emissions					
NO _x emissions (tons) ⁴⁰	7.1	7.1	7.1	-	-
SO _x emissions (tons) ⁴⁰	0.7	0.7	0.7	-	-
Regulatory Compliance					
Number of environmental violations resulting in fines	None	1	6	3	None
Total environmental fines	\$ -	\$ 3,303	\$ 7,497	\$ 5,738	\$ -
Environmental Conservation					
Fuel efficiency (ASMs/gallon)	75.2	74.4	73.9	72.8	71.7
Fuel efficiency (RPMs/gallon)	63.1	62.5	61.8	60.0	57.4
Fuel efficiency (RTMs/gallon)	6.4	6.3	6.3	6.1	5.8
Total number of electric & solar Ground Support Equipment (GSE)	1,506	1,336	1,229	1,088	963
Purchases of renewable energy certificates (kWh)	Nearly 25 million	More than 25 million	More than 25 million	More than 25 million	More than 25 million

Planet Data Table

	2017	2016	2015	2014	2013
Waste Management & Recycling⁴¹					
Total waste generated (tons)	9,858	9,690	11,135	-	-
Total waste recycled (tons)	3,737	3,348	4,148	-	-
Percent of total waste recycled	38	35	37	-	-
Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons)	More than 3,000	More than 2,600	More than 3,700	More than 3,000	More than 2,700
Recycled industrial waste (tons)	730	721	631	520	660
Hazardous waste generated (tons)	21.6	24.1	25.1	16.5	14.9
Hazardous waste managed through recycling and beneficial reuse (tons)	17.2	16.1	18.9	12.4	11.6
Intensity ratio (pounds of hazardous waste generated/aircraft)	61	67	71	50	44

GRI Content Index

The 2017 Southwest Airlines One Report follows the principles outlined in the Global Reporting Initiative's (GRI) G4 Guidelines. The GRI is a voluntary, internationally recognized framework for corporate social responsibility reporting that allows organizations to measure and report their efforts in a consistent manner. Information is presented in the 2017 Southwest Airlines One Report with respect to performance related to our corporate social responsibility key topics, a term we use instead of materiality to avoid confusion with key financial information. This content index depicts our GRI responses for calendar year 2017, unless otherwise noted.

Indicator	Description	Detail/Location in Report
General Standard Disclosures		
Strategy and Analysis		
G4-1	Statement from the most senior decision-maker of the organization	A Letter from our Chairman of the Board and CEO: Thinking Big—Acting Small
Organizational Profile		
G4-3	Name of the organization	Southwest Airlines Co.
G4-4	Primary brands, products, and/or services	2017 Securities and Exchange Commission Form 10-K
G4-5	Location of organization's headquarters	2702 Love Field Dr. Dallas, Texas 75235 USA
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 eleven countries: the United States, Mexico, Jamaica, The Bahamas, Aruba, Dominican Republic, Costa Rica, Belize, Cuba, the Cayman Islands, and Turks and Caicos.
G4-7	Nature of ownership and legal form	2017 Securities and Exchange Commission Form 10-K
G4-8	Markets served	We serve business and leisure air travelers, and in 2017 operated in the U.S. domestic market as well as some parts of Mexico, Central America, and the Caribbean region. 30,000 Foot View A Diversified Network
G4-9	Scale of the reporting organization	2017 Securities and Exchange Commission Form 10-K
G4-10	Total number of employees (including breakdown by gender and employment type)	A Snapshot of Southwest Employees People Data Table
G4-11	Employees covered by collective bargaining agreements	Approximately 83 percent of our Employees are covered by collective bargaining agreements.

Indicator	Description	Detail/Location in Report
G4-12	Supply chain	<p>To support our operations, we purchase goods and services from more than 10,000 sources across multiple continents and countries but given our network footprint as a North American carrier, the vast majority of our supply base and spend is in the U.S. domestic market. We maintain relationships directly with various types of suppliers, including service providers, contractors, manufacturers, brokers, and wholesalers. Our intent is to provide Southwest with the highest quality products and services at the lowest total costs.</p> <p>While we have dedicated Teams within our Supply Chain Management department such as Fuel Management, Aircraft Maintenance, Technology, and Direct and Indirect Procurement, we strive to manage our supply chain holistically and to optimize system efficiency by utilizing analytically rigorous and dynamic approaches. Our Supply Chain Management department has a Team dedicated to monitoring supplier performance, assessing risk and planning in the event of supply chain disruptions, and analyzing our supply chain spend so we can continuously improve performance.</p> <p>We build sustainable relationships with our suppliers that take into account, among other things, small and minority owned businesses and the highest standards of ethical conduct.</p>
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	2017 Securities and Exchange Commission Form 10-K 2018 Proxy Statement
G4-14	Precautionary approach	Not reported.
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	Honoring Those Who Serve Investing in Tomorrow's Leaders Lifting Spirits While Lifting Neighborhoods Stronger Together: Fostering Environmental Partnerships Airlines for America (A4A) climate change commitment Public Relations Research Standards Diversity Best Practices : the preeminent organization for mid- to large-size organizational diversity thought leaders to share best practices and develop innovative solutions for culture change. Each Southwest Employee can logon using their wnco.com email.
G4-16	Memberships or associations	Airlines for America (A4A) climate change commitment Public Relations Research Standards National Diversity Council Board Workforce Solutions Greater Dallas Board : the local organization mandated to implement a system of services that complement economic development as a resource for employers to access the quality employees they need, and training individuals to be successfully employed.

Indicator	Description	Detail/Location in Report
Identified Material Aspects and Boundaries		
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	2017 Securities and Exchange Commission Form 10-K
G4-18	Process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for Defining Report Content	Through our previous reporting and interactions with our Stakeholders, Southwest identified a number of sustainability topics which were prioritized through a benchmarking analysis of our industry conducted in 2016 and early 2017. Southwest then worked to identify key topics and related environmental, social, and governance indicators in an effort to provide a reasonable and balanced representation of our Corporate Social Responsibility efforts.
G4-19	Material Aspects identified in the process for defining report content	We have included the following key topics in the 2017 One Report: Economic Performance, Indirect Economic Impact, Energy, Water, Emissions, Effluents and Waste, Environmental Regulation Compliance, Employment, Training and Education, Human Rights, Freedom of Association and Collective Bargaining, Local Communities, Anti-Corruption, Public Policy, Customer Health & Safety, and Product and Service Labeling.
G4-20/21	Aspect boundaries	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.
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	See data tables for any restatements of information provided in previous reports: Performance Data Table People Data Table Planet Data Table
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	There are no significant changes from previous reporting periods in the Scope and Aspect Boundaries.
Stakeholder Engagement		
G4-24	Stakeholder groups engaged	Customers, Employees, NGOs/Community Groups, Suppliers, Shareholders, and Regulators.
G4-25	Basis for identification and selection of stakeholders with whom to engage	We maintain engagement channels with the Stakeholders who we believe may impact, or be impacted by, our business. Reporting Approach

Indicator	Description	Detail/Location in Report
G4-26	Approach to stakeholder engagement	<p>Customers: Customer Experience surveys are sent to a representative sample of Customers each day post-travel. Daily interaction with our Customer Service Representatives with phone calls, email, or social media. Monthly brand and reputation monitoring and other ad hoc research through our Listening Center. Personal contact during travel experience with Customer Service Agents and Flight Crews.</p> <p>Employees: Daily internal communications on our intranet, including news, department information, blogs, and the monthly news recap via video. Employees are able to interact in the comment sections. Monthly newsletters, annual Southwest Rallies, ongoing union meetings, and scheduled Employee surveys.</p> <p>NGOs/Community Groups: Ongoing efforts with the Chambers of Commerce in each of our domestic cities, working with a variety of charitable organizations, and one-on-one meetings or calls with industry associations or community influencers, and through a community partners summit during fall 2017.</p> <p>Suppliers: Ongoing efforts via emails, meetings, the RFP process, and supplier performance reviews.</p> <p>Shareholders: Ongoing communication with our Investor Relations department via phone calls, email, and mail, Investor presentations, Annual Meeting of Shareholders, and the Investor Relations website.</p> <p>Regulators: Ongoing engagement through permitting, compliance, and reporting activities. Safety testing, audits, and screenings.</p>
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	Throughout this report.

Report Profile

G4-28	Reporting period	Calendar Year 2017, unless otherwise stated.
G4-29	Date of most recent previous report	May 17, 2017
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	SWACitizenship@wnco.com
G4-32	"In Accordance" option and the GRI Content Index for the chosen option	In accordance-Core GRI Content Index
G4-33	Policy and current practice with regard to seeking external assurance for the report	This report has not been externally assured.

Indicator	Description	Detail/Location in Report
Governance		
G4-34	Governance structure of the organization	Company Officers Corporate Governance Guidelines Board Committees 2018 Proxy Statement
Ethics and Integrity		
G4-56	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Purpose, Vision, Values & Mission Statements Investor Relations Supplier Code of Conduct
Specific Standard Disclosures		
Economic		
Economic Performance		
DMA	<p>Jobs and benefits, returns on investment, business partnerships, and Customer Service and Safety are all ways in which our economic performance matters to our Employees, Customers, Shareholders, suppliers, and the communities in which we operate. We strive to continuously improve our Performance by focusing on our Purpose, and our People are dedicated to fulfilling our Vision.</p> <p>Southwest is known for a triple bottom line approach that contributes to our performance and productivity. We've achieved our success without resorting to layoffs or pay cuts, and Employees share in Southwest's success with our ProfitSharing Plan, the first in the airline industry. This approach helps us retain Employees, reducing turnover costs.</p> <p>We expect our market presence to generate substantial savings for our Customers through the well-known "Southwest Effect" of invigorating competition by reducing fares and stimulating additional Passenger traffic in the cities where we fly. Our commitment to the Planet helps us manage costs by using resources efficiently and identifying emerging environmental trends and risks. In the air, we're conserving jet fuel and reducing emissions. 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. Regarding our position on the potential risks associated with climate change, in our CDP (formerly the Carbon Disclosure Project) 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>	Performance
EC-1	Direct economic value generated and distributed	Another Year of Strong Profits Raising the Record Revenue Bar, Again Continued Focus on Low-Cost Discipline A Decade of Consistent Performance Industry-Leading Balance Sheet Balanced Capital Deployment 2017 Capital Expenditures Breakdown A New Reservation System 2017 Securities and Exchange Commission Form 10-K

Indicator	Description	Detail/Location in Report
EC-2	Climate change risks and opportunities	<p>Southwest has voluntarily reported our greenhouse gas emissions through CDP for the past nine years. In our CDP response, we quantify climate change impacts, risks, and opportunities on our business, and provide information on how we're integrating climate change into our business strategy. You can find Southwest's CDP response at www.cdp.net. We have invested more than \$590 million in fuel efficiency projects since 2002.</p> <p>Planet</p>
EC-3	Coverage of defined benefit plan obligations	<p>We invested more than \$1.0 billion in our Employees through 401(k) contributions of \$476 million and, based on 2017 results, part of the \$543 million ProfitSharing award to the retirement plan and part in cash. Ninety-three percent of our Employees participated in our 401(k) plans.</p> <p>For the 2017 plan year, each eligible Employee will receive a ProfitSharing award equal to approximately 11.3 percent of eligible compensation, payable in 2018. Southwest will pay part of the ProfitSharing award to the retirement plan and part in cash. Most Employees will receive 10 percent of eligible compensation as a contribution to the ProfitSharing Plan and the remainder—approximately 1.3 percent—in cash. Some Employees will receive the entire ProfitSharing award in the retirement plan as specified in their collective bargaining agreement.</p> <p>Employees LUV WorkPerks</p>
Indirect Economic Impact		
DMA	Our performance impacts more than our Company. Our market presence and low fares stimulate economies in cities where we fly. We also make investments in infrastructure and services that more broadly affect the communities we serve in terms of jobs, access to services, or other impacts. Working with local communities and regulators, we strive to maximize the benefits of our investments to local and regional economies.	
EC-8	Significant indirect economic impact	<p>2017 Capital Expenditures Breakdown</p> <p>Ft. Lauderdale-Hollywood International Expansion</p> <p>Many Different Ways to Give</p> <p>Repurpose with Purpose</p>

Indicator	Description	Detail/Location in Report
Environmental		
DMA <i>(for all reported environmental topics)</i>	<p>We recognize the importance of environmental stewardship and believe it's our responsibility to protect our planet now and for future generations. We do our part to make environmentally responsible decisions and to minimize our impact on the environment by collecting and analyzing information on our energy consumption, emissions, and waste, and continually improving the actions we take to mitigate our impacts. We set goals and use an environmental management system (EMS) and chemical management system (CMS) to help us maintain compliance with environmental regulations, minimize costs and risk, and measure our efforts to improve our environmental performance.</p> <p>Given fuel is one of our largest expenses and the burning of it produces greenhouse gas (GHG) emissions, we strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation for our Customers. A third party assessment of Southwest's 2017 GHG Emissions Inventory has been completed in accordance with AA1000 Assurance Standard. This assurance engagement included our Scope 1, Scope 2, and Scope 3 GHG Emissions. We are currently meeting our GHG emission targets without using offsets.</p> <p>Southwest's Leaders and Employees are responsible for minimizing our impact on the environment 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 EMS, 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 GHG emissions • Auditing our operations for environmental compliance and implementing corrective actions where needed • Auditing our environmental vendors to verify their operations are compliant and they demonstrate a commitment to environmental stewardship • Providing transparency of our environmental performance to our Stakeholders through public reporting and third-party verification and assurance of our GHG emissions inventory • 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 <p>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. Our Environmental Services Team regularly conducts audits to review compliance, and 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.</p> <p>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.</p> <p>Planet</p>	

Indicator	Description	Detail/Location in Report
Energy		
EN-3	Energy consumption	The Retirement of the Classics and the Introduction of the MAX Pushing Innovation in Fuel Efficiency Load-Shedding: Managing Energy Consumption at Our Headquarters in Dallas Planet Data Table
EN-5	Energy intensity	Planet Data Table
EN-6	Reduction of energy consumption	Pushing Innovation in Fuel Efficiency Load-Shedding: Managing Energy Consumption at Our Headquarters in Dallas
EN-7	Reductions in energy requirements of services	We increased our fuel efficiency (available seat miles ¹⁰ per gallon of fuel) from 74.4 in 2016, to 75.2 in 2017. Planet Data Table
Water		
EN-8	Total quantity consumed by source	Planet Data Table
Emissions		
EN-15	GHG emissions (Scope 1)	Reducing Emissions by Striving to Be the Best Planet Data Table
EN-16	GHG emissions (Scope 2)	Load-Shedding: Managing Energy Consumption at Our Headquarters in Dallas Planet Data Table
EN-17	GHG emissions (Scope 3)	Planet Data Table
EN-18	GHG emissions intensity	Reducing Emissions by Striving to Be the Best Planet Data Table
EN-19	GHG emissions reduction	Reducing Emissions by Striving to Be the Best Planet Data Table
EN-20	Emissions of ozone-depleting substances	One of the most important issues surrounding chemical management is the use of ozone-depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. Potential ozone-depleting substances Southwest presently uses include refrigerants found in the HVAC systems and appliances of Southwest operated buildings and the air conditioning systems of company vehicles. In every location except our Headquarters Campus, we contract the servicing of our HVAC systems. For this reason, we estimate the use of these substances for reporting purposes. In 2017, the estimated emissions are 3,395 metric tons of CO ₂ e based on an upper-bound assumption of the expected losses that would occur from Southwest facilities. We do not produce or import ozone-depleting substances in Southwest operations.
EN-21	Quantity of hazardous air pollutants	Planet Data Table

Indicator	Description	Detail/Location in Report
Effluents and Waste		
EN-23	Total weight of solid waste by disposal type	Managing Our Electronic Waste Planet Data Table
EN-24	Total number and volume of significant spills	<p>In 2017, we had no spills that were reportable to the National Response Center per regulatory requirements.</p> <p>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 assess spill prevention strategies.</p>
Compliance		
EN-29	Monetary value of significant fines	Planet Data Table
Social: Labor Practices and Decent Work		
DMA	<p>Employees are the heartbeat of Southwest. We focus on bringing the best People 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. 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.</p> <p>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 conduct scheduled Employee surveys to assess job satisfaction of our Employees, and we use information from the surveys to improve our ability to attract, develop, and retain talented Employees who will help us meet Southwest's business needs today and tomorrow.</p> <p>People Data Table</p>	

Indicator	Description	Detail/Location in Report
Employment		
LA-1	Employee hire & turnover rate	People Data Table
LA-2	Benefits provided to full-time Employees	<p>In 2017, more than 59,800 active and inactive Southwest Employees participated in at least one component of the Company's Employee benefits program. Southwest offers standard benefits to both full-time and part-time Employees. In the case of tuition reimbursement, Southwest provides the following maximum annual benefit, which will be counted toward the calendar year in which reimbursement is made:</p> <ul style="list-style-type: none"> • Graduate Degrees: \$5,000 for a full-time Employee, \$2,500 for a part-time Employee. • Undergraduate Degrees, Individual/Preparatory courses and Certificate Programs: \$2,500 for a full-time Employee, \$1,250 for a part-time Employee. <p>Many of the components offered to Employees in our Employee benefits program also are offered to dependents and/or committed partners.</p> <p>Women at Southwest Soar to Great Heights</p> <p>Employees LUV WorkPerks</p> <p>Employee Benefits</p>
Training and Education		
LA-9	Hours of annual Employee training	<p>One Team. All Heart. One Res.</p> <p>Training, the Southwest Way</p> <p>People Data Table</p>
Diversity and Equal Opportunity		
LA-12	Diversity and equality breakdown of employees	<p>A Snapshot of Southwest Employees</p> <p>Women at Southwest Soar to Great Heights</p> <p>Building on a Legacy of Diversity</p>
Social: Human Rights		
DMA	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • Prohibit 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 <p>Corporate Policies</p>	

Indicator	Description	Detail/Location in Report
Investment		
HR-2	Employee training on human rights	<p>Forty percent of Employees and over 6,800 contractors received training on Human Rights in 2017.</p> <p>We conduct training on human rights issues as they relate to harassment, discrimination, or retaliation for all new hires. Human rights training and information (including training on human trafficking and notification to law enforcement authorities) is available for existing Employees through a variety of vehicles, including our Guidelines for Employees, our Disability Discrimination & Workplace Accommodation Policy, in both written and audio versions, and our Most Compliant Leader training, a program required bi-annually of all Leaders, Supervisors, and above, and our harassment online learning module.</p> <p>People Data Table</p> <p>Policy on Harassment, Sexual Harassment, Discrimination, and Retaliation</p>
Freedom of Association and Collective Bargaining		
HR-4	Freedom of association and collective bargaining	<p>We have not identified operations or suppliers where the right to exercise freedom of association and collective bargaining are being violated. We take preventative measures to avoid this risk by implementing our Code of Conduct.</p> <p>Corporate Policies</p>
Social: Society		
Local Communities		
DMA	<p>We understand the powerful impacts that our Company can have on the social systems within which we operate and our responsibility to be a good corporate citizen. That is why we have a Community Relations Department committed to engaging and giving back in the communities where our Customers and Employees live and work. Through our Community Outreach Teams, we provide support, leadership, and encouragement to a variety of local, civic, and charitable organizations. We believe in connecting People and championing the communities where our Employees live and work, and we strategically invest our resources to support local needs and the causes that matter most to those Communities. Our Employees get involved through volunteering, serving as Green Ambassadors, and participating on Community Giving Boards to help direct support to local organizations.</p> <p>Community Giving Boards are made up of local Employees from various work groups who evaluate donation requests Southwest receives from nonprofit charitable organizations in their community. The Boards donate complimentary, roundtrip travel to approved organizations for fundraising or transportation purposes.</p> <p>People</p>	

Indicator	Description	Detail/Location in Report
SO-1	Local community engagement	<p>At the national level, our Heart of the Community program is on a mission to build connections that bring People together and strengthen communities for a more resilient future.</p> <p>Since the program launch in 2014, we've invested \$3.6 million into 20 public space grant projects and provided placemaking technical assistance in partnership with Project for Public Spaces (PPS). Together with our local grant partners and the community at large, we aim to reimagine public spaces into vibrant community gathering places.</p> <p>In 2017, we expanded our efforts in partnership with Points of Light to focus on building the resilience of three low-income communities through the individual and collective power of volunteerism. Southwest Employees are putting their Hearts in action, working hand-in-hand with neighbors and their local networks to improve how the neighborhood looks, feels, and functions. Together, we aim to strengthen cross-sector participation and connections to accelerate change and create thriving places of opportunity.</p> <p>Industry Leading Balance Sheet</p> <p>Honoring Those Who Serve</p> <p>Music to Our Hearts</p> <p>Weathering the Storms</p> <p>Many Different Ways to Give</p> <p>Investing in Tomorrow's Leaders</p> <p>Near to Our Heart: Civility and Respect</p> <p>Travel Assistance for Patients in Need</p> <p>Lifting Spirits While Lifting Neighborhoods</p> <p>Repurpose with Purpose</p> <p>People Data Table</p>
Anti-Corruption		
DMA	At Southwest, we strive to maintain accountability and transparency of our business practices to reduce or eliminate corruption. We require all Employees to annually certify receipt and understanding of our Code of Ethics and Insider Trading Policy. We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when needed.	
SO-4	Anti-corruption communication	<p>In 2017, more than 63,000 Southwest Airlines Employees and certain business associates certified receipt of our Code of Ethics and Insider Trading policy. During 2017, 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 2017, more than 2,700 individuals received and completed a compliance questionnaire regarding the Foreign Corrupt Practices Act.</p> <p>Corporate Governance Guidelines</p>

Indicator	Description	Detail/Location in Report
Public Policy		
DMA	<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. 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>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. 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's Senior Vice President General Counsel & Corporate Secretary, 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 strives to comply with all applicable federal, state, and local campaign finance restrictions and disclosure requirements.</p>	
SO-6	Political contributions	<p>In 2017, the Company contributed \$34,100 directly to political campaigns at the state and/or local level in four states (California, Florida, Illinois, and Maryland). No Company funds were used to support or finance any political campaign at the federal level, nor did the Company support or finance any independent expenditure committee or any so-called "Super PAC."</p> <p>In 2017, the Company contributed \$50,000 in support of a ballot measure in Kansas City, Missouri, and a total of \$30,000 for two political committees organized under section 527 of the Internal Revenue Code (benefiting organizations representing Democratic municipal officials and Republican state legislators, respectively).</p> <p>In 2017, A4A, our airline industry trade association, determined that \$1,557,347 of the total dues paid by the Company to A4A were nondeductible lobbying expenses. Southwest also paid dues to several other national, state, and local trade associations and chamber organizations, in which a portion of those dues were used by these organizations for nondeductible lobbying activities; however, in all cases, that portion was less than \$6,000 annually for each organization.</p>

Social: Product Responsibility

Customer Health and Safety

DMA	<p>At Southwest, we are committed to the Safety & Security of our Customers and Employees—it's our number one priority. We continually work to create and foster a Culture of Safety & Security that proactively identifies and manages risks to the operation and workplace before they can become injuries, accidents, or incidents. We strive to manage our Culture of Safety & Security through establishing and annually reviewing Safety related objectives, establishing and promoting Safety & Security reporting processes, and creating and maintaining a proactive reporting Culture. Southwest's policy is that no disciplinary action will be taken against any Employee for reporting a Safety or Security occurrence or hazards, except in cases where behavior is ultimately deemed to be reckless.</p>
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Indicator	Description	Detail/Location in Report
PR-1	Health and safety impact assessment	Training, the Southwest Way Safety Meets Big Data People Data Table
Product and Service Labeling		
DMA	<p>Southwest has always focused on the Customer, with features such as no first or second checked bag (size and weight limits apply) or change fees (fare differences apply), and with a constant desire to improve the Customer Experience. We measure our Customer Satisfaction on an ongoing basis by tracking various sources of Customer Satisfaction data such as our Net Promoter Score, the American Customer Satisfaction Index, and the U.S. Department of Transportation's Customer Satisfaction Ratings. We also measure Customer Satisfaction through our own Tracking Loyal Customers platform and 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> <p>We recognize the importance of communicating openly, accurately, and responsibly about our service to our Customers, and we are committed to Transfarency,[®] honest communication about our fares, so Customers can make informed choices.</p> <p>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, such as through Southwest's Listening Center and social media. In all these channels, we're answering questions and looking for ways to connect our Customers to what's important in their lives.</p> <p>People</p> <p>Customer Service Policies (click on "Customer Commitments")</p>	
PR-5	Customer satisfaction	<p>External Customer commendations increased in 2017, and our U.S. DOT score related to consumer complaints per 100,000 enplanements maintained a strong position compared to 2016. We also realized a five percent improvement in our mishandled baggage ratio in 2017 compared to 2016.</p> <p>One Team. All Heart. One Res.</p> <p>Uniforms with Heart</p> <p>Social Care: A Look Behind the Scenes</p> <p>People Data Table</p>

Footnotes

- 1) The 2017 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. Specific forward-looking statements include, without limitation, statements related to (i) the Company's Vision; (ii) the Company's network and growth plans, strategies, opportunities, and expectations; (iii) the Company's financial position, outlook, goals, targets, strategies, plans, expectations, and projected results of operations, including specific factors expected to impact the Company's results of operations; (iv) the Company's plans and expectations with respect to its new reservation system and other technology initiatives, and the Company's related multi-faceted financial and operational expectations and opportunities; (v) the Company's capacity plans and expectations; (vi) the Company's fleet plans, strategies, and expectations, including its fleet modernization initiatives, and the Company's related financial and operational expectations; (vii) the Company's operational initiatives and related plans and expectations, including with respect to its technology initiatives; (viii) the Company's expectations related to its management of risk associated with changing jet fuel prices; (ix) the Company's expectations and goals with respect to returning value to Shareholders; and (x) the Company's other initiatives, including construction, safety, and environmental initiatives, and related plans and expectations. These 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 a continually changing business environment, economic conditions, fuel prices, actions of competitors (including without limitation pricing, product, scheduling, capacity, and network decisions, and consolidation and alliance activities), and other factors beyond the Company's control, on the Company's business decisions, plans, strategies, and results; (iii) the impact of governmental regulations and other governmental actions related to the Company's operations; (iv) the Company's dependence on third parties, in particular with respect to its fleet and technology plans; (v) 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; (vi) the Company's ability to timely and effectively prioritize its initiatives and related expenditures; (vii) the impact of labor matters on the Company's business decisions, plans, strategies, and costs; (viii) changes in aircraft fuel prices, the impact of hedge accounting, and any changes to the Company's fuel hedging strategies and positions; and (ix) 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, 2017.

- 2) Source: Air Travel Consumer Reports. Rankings based on complaints filed with the Department of Transportation (DOT) per 100,000 passengers enplaned.

- 3) 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 noncash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging and (ii) other charges and benefits the Company believes are unusual and/or infrequent in nature and thus may make comparisons to its prior or future performance difficult.

As a result, the Company also provides financial information in this report that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information

(also referred to as "excluding special items"), including results that it refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance and the Company believes provides additional insight to investors as supplemental information to its GAAP results. The non-GAAP measures provided that relate to the Company's performance on an economic fuel cost basis include Fuel and oil expense, non-GAAP; Total operating expenses, non-GAAP; Operating income, non-GAAP; Net income, non-GAAP; and Net income per share, diluted, non-GAAP. The Company's economic Fuel and oil expense results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts - all reflected within Fuel and oil expense in the period of settlement. Thus, Fuel and oil expense on an economic basis has historically been utilized by the Company, as well as some of the other airlines that utilize fuel hedging, as it reflects the Company's actual net cash outlays for fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts 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 further insight on the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, noncash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting guidance relating to derivative instruments, and they reflect all cash settlements related to fuel derivative contracts within Fuel and oil expense. This enables the Company's management, as well as investors and analysts, to consistently assess the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations, and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.

The Company's GAAP results in the applicable periods include other charges or benefits that are also deemed "special items" that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends. Financial measures identified as non-GAAP (or as excluding special items) have been adjusted to exclude special items. Special items include:

- A one-time \$172 million Special revenue adjustment in July 2015 as a result of the Agreement with Chase and the resulting required change in accounting methodology. This increase to revenue represented a nonrecurring required acceleration of revenues associated with the adoption of Accounting Standards Update 2009-13;
- Contract ratification bonuses recorded for certain workgroups. As the bonuses would only be paid at ratification of the associated tentative agreement and would not represent an ongoing expense to the Company, management believes its results for the associated periods are more usefully compared if the impacts of ratification bonus amounts are excluded from results. Generally, union contract agreements cover a specified three- to five- year period, although such contracts officially never expire, and the agreed upon terms remain in place until a revised agreement is reached, which can be several years following the amendable date;
- Expenses associated with the Company's acquisition and integration of AirTran Holdings, Inc. and its subsidiaries, including AirTran Airways, Inc. (collectively, "AirTran"). Such expenses were primarily incurred during the acquisition and integration period of the two companies from 2011 through 2015 as a result of the Company's acquisition of AirTran,

which closed on May 2, 2011. The exclusion of these expenses provides investors with a more applicable basis with which to compare results in future periods now that the integration process has been completed;

- A gain resulting from a litigation settlement received in January 2015. This cash settlement meaningfully lowered Other operating expenses during the applicable period and the Company does not expect a similar impact on its cost structure in the future;
- A noncash impairment charge related to leased slots³³ at Newark Liberty International Airport as a result of the Federal Aviation Administration announcement in April 2016 that this airport was being changed to a Level 2 schedule-facilitated airport from its previous designation as Level 3;
- Lease termination costs recorded as a result of the Company acquiring 13 of its Boeing 737-300 aircraft off operating leases as part of the Company's strategic effort to remove its Classic aircraft from operations on or before Sept. 29, 2017, in the most economically advantageous manner possible. The Company had not budgeted for these early lease termination costs, as they were subject to negotiations being concluded with the third party lessors. The Company recorded the fair value of the aircraft acquired off operating leases, as well as any associated remaining obligations to the balance sheet as debt;
- An Aircraft grounding charge recorded in third quarter 2017, as a result of the Company grounding its remaining Boeing 737-300 aircraft on Sept. 29, 2017. The loss was a result of the remaining net lease payments due and certain lease return requirements that could have to be performed on these leased aircraft prior to their return to the lessors as of the cease-use date. The Company had not budgeted for the lease return requirements, as they are subject to negotiation with third party lessors; and
- An adjustment to Provision for income taxes related to the Tax Cuts and Jobs Act legislation enacted in December 2017, which resulted in a re-measurement of the Company's deferred tax assets and liabilities at the new federal corporate tax rate of 21 percent. This adjustment is a non-cash item and is being treated as a special item.

Because management believes each of these items can distort the trends associated with the Company's ongoing performance as an airline, the Company believes that evaluation of its financial performance can be enhanced by a supplemental presentation of results that exclude the impact of these items in order to enhance consistency and comparativeness with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. The following measures are often provided, excluding special items, and utilized by the Company's management, analysts, and investors to enhance comparability of year-over-year results, as well as to industry trends: Total operating expenses, non-GAAP; Operating income, non-GAAP; Provision for income taxes, non-GAAP; Net income, non-GAAP; Net income per share, diluted, non-GAAP; and Operating expenses per ASM, non-GAAP, excluding profitsharing expense, Fuel and oil expense, and special items.

The Company has also provided free cash flow, which is a non-GAAP financial measure. 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 Dec. 31, 2017, the Company generated \$1.8 billion in free cash flow, calculated as operating cash flows of \$3.9 billion less capital expenditures of \$2.1 billion less assets constructed for others of \$126 million plus reimbursements for assets constructed for others of \$126 million.

The Company has also provided its calculation of return on invested capital, which is a measure of financial performance used by management to evaluate its investment returns on capital. Return on invested capital is not a substitute for financial results as reported in accordance with GAAP, and should not be utilized in place of such GAAP results. Although return on invested capital is not a measure defined by GAAP, it is calculated by the Company, in part, using non-GAAP financial measures. Those non-GAAP financial measures are utilized for the same reasons as those noted above for Net income, non-GAAP and Operating income, non-GAAP - the comparable GAAP measures include charges or benefits that are deemed "special items" that the Company believes make its results difficult to compare to prior periods, anticipated future periods, or industry trends, and the Company's profitability targets and estimates, both internally and externally, are based on non-GAAP results since in the vast majority of cases the "special items" cannot be reliably predicted or estimated. The Company believes non-GAAP return on invested capital is a meaningful measure because it quantifies the Company's effectiveness in generating returns relative to the capital it has invested in its business. Although return on invested capital is commonly used as a measure of capital efficiency, definitions of return on invested capital differ; therefore, the Company is providing an explanation of its calculation for non-GAAP return on invested capital in the accompanying reconciliation, in order to allow investors to compare and contrast its calculation to those provided by other companies.

Information regarding special items and reconciliation of reported amounts to amounts excluding special items are included in the accompanying reconciliation tables in the Performance section.

- 4) Load factor is RPMs¹² divided by ASMs.¹⁰
- 5) As measured by the U.S. DOT's O&D Survey for the 12 months ended Dec. 31, 2017 based on domestic originating passengers. O&D stands for Origin and Destination.
- 6) The average amount of passenger revenue per revenue passenger carried.
- 7) Calculated as passenger revenue divided by RPMs.¹² 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.
- 8) Calculated as operating revenues divided by available seat miles.¹⁰ Also referred to as "operating unit revenues" or "RASM," this is a measure of operating revenue production based on the total available seat miles flown during a particular period. Year ended 2015 RASM excludes a \$172 million one-time special revenue adjustment. Including the special revenue adjustment, RASM would have been 14.11 cents for the year ended 2015.
- 9) Calculated as operating expenses divided by available seat miles.¹⁰ Also referred to as "unit costs" or "CASM," this is the average cost to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.
- 10) An available seat mile (ASM) is one seat (empty or full) flown one mile. Also referred to as "capacity," which is a measure of the space available to carry Passengers in a given period.
- 11) These results do not reflect the impact of accounting standards adopted by the Company subsequent to Dec. 31, 2017. See the Company's Current Report on Form 8-K furnished to the Securities and Exchange Commission on March 20, 2018, as well as in subsequent quarterly filings, for further information on these accounting standards.
- 12) A revenue passenger mile (RPM) is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.
- 13) Average distance in miles the aircraft is flown per trip.
- 14) Active, full-time equivalent Employees as of Dec. 31 for specified calendar year.

- 15)** Aircraft in the Company's fleet at yearend, less Boeing 717-200s removed from service in preparation for transition out of the fleet. Fleet at yearend 2017 does not include the Company's Boeing 737-300 aircraft that were retired and grounded at the end of third quarter 2017 but remained in the Company's possession.
- 16)** The 2017 Southwest Airlines One Report may contain information obtained from third parties, including ratings from credit ratings agencies such as S&P Global Ratings. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR CONTENT, INCLUDING RATINGS. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.
- 17)** Metro areas are areas around cities that may include multiple major airports. In some cases, the airports within a metro area may serve separate competitive markets.
- 18)** Co-terminal: Airports that share a common city or region; for example, Newark, LaGuardia, and JFK are considered co-terminals to one another.
- 19)** Not used.
- 20)** Source: Diio directional data for July 2016 vs. December 2017 for all travel from Ft. Lauderdale-Hollywood International Airport. Information includes all nonstop passenger flights and all seats in all cabins.
- 21)** Scheduled, non-canceled flights only and includes both domestic and international operations.
- 22)** Social and news media mentions.
- 23)** Score is derived from Customer survey feedback provided between March 1 and Dec. 31, 2017 regarding Southwest Employees making Customers feel welcomed, cared for, and appreciated throughout the airport experience.
- 24)** Earnings before interest and taxes.
- 25)** Pending requisite approvals of governmental and regulatory agencies.
- 26)** Tax amounts for each individual special item are calculated at the Company's effective rate for the applicable period and totaled in this line item.
- 27)** Adjustment related to the Tax Cuts and Jobs Act legislation enacted in December 2017, which resulted in a re-measurement of the Company's deferred tax assets and liabilities at the new corporate tax rate.
- 28)** Net adjustment related to presumption 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). The Company makes this adjustment to enhance comparability to other entities that have different capital structures by utilizing alternative financing decisions.
- 29)** The Adjustment for fuel hedge accounting in the numerator is due to the Company's accounting policy decision to classify fuel hedge accounting premiums below the Operating income line, and thus is adjusting Operating income to reflect such policy decision. The Equity adjustment for hedge accounting in the denominator adjusts for the cumulative impacts, in Accumulated other comprehensive income and Retained earnings, of gains and/or losses associated with hedge accounting related to fuel hedge derivatives that will settle in future periods. The current period impact of these gains and/or losses are reflected in the Net impact from fuel contracts in the numerator.
- 30)** Calculated as an average of the five most recent quarter end balances or remaining obligations. The Net present value of aircraft operating leases represents the assumption that all aircraft in the Company's fleet are owned, as it reflects the remaining contractual commitments discounted at the Company's estimated incremental borrowing rate as of the time each individual lease was signed.
- 31)** Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.
- 32)** Each roundtrip plane ticket is valued at \$400.
- 33)** A slot is the right of an air carrier, pursuant to regulations by the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.
- 34)** Based on Independent Sector's estimated value of a volunteer hour as of Dec. 31, 2017. For more information, visit: <http://www.independentsector.org/resource/the-value-of-volunteer-time/>
- 35)** Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes.
- 36)** A revenue ton mile (RTM) is one ton of revenue traffic (passenger and cargo) transported one mile.
- 37)** 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.
- 38)** Water consumption is primarily for domestic use at our facilities.
- 39)** Our scope 3 emissions for Waste Generated in Operations for 2013 through 2016 have been revised to reflect the current and historical re-refining of our used oil, rather than the assumption it was burned for energy recovery.
- 40)** NO_x and SO_x emissions are reported in our annual emissions inventories for our DAL and PHX facilities. Data is from prior year due to air emissions reporting cycle.
- 41)** Waste and material recycled from aircraft and select facilities as part Southwest's waste management and co-mingled recycling programs. Does not include international flights due to regulations that require waste from international flights to be incinerated. Does not include AirTran flights.