

**SOUTHWEST®**

2013 SOUTHWEST AIRLINES  
ONE REPORT™

**PURPOSE FUELS OUR PASSION**



## Welcome to the 2013 Southwest Airlines One Report™.

As part of our commitment to conserve our natural resources, we're again publishing the 2013 One Report exclusively online at <http://www.southwest.com/citizenship> and <http://southwest.investorroom.com>. Sections of this document are accessible by clicking here in the table of contents or, on subsequent pages, on the menu on the top of the page. Please note that these features will only be available if you are viewing this document through Adobe Acrobat Pro or Adobe Acrobat Reader. You can download either at [adobe.com](http://adobe.com). Footnotes throughout the report are available at the end of each respective section in the Appendix.

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#### OUR MISSION/ CONTACT US

# Purpose Fuels Our Passion



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

At Southwest Airlines, we are united by our Purpose, which fuels our passion and is at the heart of everything we do.

Every day, we strive to achieve our Purpose and continue our pursuit to differentiate ourselves from our competitors. By maintaining our low costs, we are an airline People can afford to fly. By reliably delivering on our promise, we are an airline People can trust. By offering friendly Customer Service, we are an airline People can LUV. Our passion for what we do has led us to be successful. We continue to be the:

- Domestic airline industry leader in Customer Satisfaction<sup>1</sup>
- Nation's largest airline,<sup>2</sup> carrying more domestic Passengers than our competitors, a distinction we've held since 2001
- Record-holder for the longest-running profitability streak in the U.S. airline industry, with an unprecedented string of 41 consecutive years of profitability
- One of the *FORTUNE* World's Most Admired Companies

And our accomplishments don't stop there.



## ▷▷ Our Vision is to become the World's Most Loved, Most Flown, and Most Profitable Airline.

Our passion for a triple bottom line approach that takes into account our performance and productivity, the importance of our People and the communities we serve, and our commitment to efficiency and the planet has made us one of the most honored airlines in the world. As of Dec. 31, 2013, our 44,831 Employees<sup>3</sup> operated more than 3,600 daily flights, serving 96 destinations in 41 states, the District of Columbia, the Commonwealth of Puerto Rico, and five near-international countries.<sup>4</sup> On May 2, 2011, we completed the acquisition of AirTran Airways and now operate AirTran as a wholly owned subsidiary of Southwest.

Our passion has driven our continued progress on our strategic plan, comprised of five major strategic initiatives—AirTran Airways Integration, Rapid Rewards® frequent flyer program, Fleet Modernization, the 737-800s, and a New Reservation System and International Capabilities—and other initiatives that support our Purpose and our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline.



## APPENDIX

- 1) From the 2013 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2014. Top ranking is for Southwest only. AirTran ranked fifth in the same report.
- 2) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2013. Ranking applies to Southwest only.
- 3) Based on active, full-time equivalent Southwest and AirTran Employees as of Dec. 31, 2013.
- 4) Near-international destinations operated by AirTran.

# Gary's Message

▷▷ The annual Southwest Airlines One Report™ comprehensively covers our financial, social, and environmental performance, illustrated through our triple bottom line of Performance, People, and Planet. For the fifth year, our 2013 One Report adheres to the Global Reporting Initiative (GRI), an internationally recognized standard for triple bottom line reporting, and fully complies with the GRI's B+ application level.

**Gary C. Kelly**

Chairman of the Board, President,  
and Chief Executive Officer

# TO OUR STAKEHOLDERS:<sup>E</sup>

I'm proud of our outstanding financial performance and the monumental strides we made in 2013 toward our bold, five-year strategic plan that began in 2011. We reached an important integration milestone by connecting the AirTran Airways and Southwest Airlines route networks and ended the year with Southwest service in all of AirTran's domestic markets. We made significant strides in modernizing our fleet, including increasing the number of 737-800s in our fleet to 52 and completing our planned *Evo/lve* interior retrofits on the Southwest 737-700s and 78 737-300 aircraft. For the first time ever, Southwest launched service beyond the continental United States by flying to San Juan, Puerto Rico. We accomplished all of this and more in 2013, while returning significant value to our Shareholders; keeping our Employees' jobs secure; giving back to the communities where our Employees work and live; and achieving our 41st consecutive year of profitability—a record that is unmatched in the U.S. airline industry. Further, our stock price rose a strong 84 percent. Indeed, 2013 was proof positive of our ongoing commitment to the triple bottom line.

## PERFORMANCE ▼

Our 2013 net income was a record \$754 million, or \$1.05 per diluted share, including special items (primarily noncash, mark-to-market, and other items required for a portion of Southwest's fuel hedge portfolio, as well as costs associated with the acquisition and integration of AirTran). Excluding special items,<sup>A</sup> our 2013 profits were also a record, increasing 93 percent year-over-year to \$805 million, or \$1.12 per diluted share. Our annual pre-tax return on invested capital, excluding special items, (ROIC)<sup>A</sup> was 13.1 percent, nearly doubling 2012's performance.

Total operating revenues were a record \$17.7 billion, boosted by strong yields and an 80.1 percent load factor. Through the combination of stable fuel prices and rigorous cost control efforts, we met our goal to improve our cost performance. Despite a roller coaster economy, we achieved record earnings, and, while just short of our 15 percent pre-tax ROIC target, we produced our best pre-tax ROIC since 2000.

We preserved our financial strength and returned value to our Shareholders, as planned. As of Dec. 31, 2013, our cash and short-term investments were a strong \$3.2 billion, with a fully available \$1 billion bank line-of-credit. In May 2013, our Board of Directors authorized an increase in our previous share repurchase authorization to \$1.5 billion and quadrupled our quarterly dividend. These actions, coupled with the generation of a healthy \$1.03 billion in free cash flow<sup>A</sup> during 2013, enabled us to return \$611 million to Shareholders through repurchases of \$540 million of common stock (38 million shares) and

distribution of \$71 million in dividends. We repaid \$313 million in debt and capital lease obligations during 2013. As a result, our debt-to-total capital ratio (including aircraft leases) declined to approximately 38 percent at yearend. All told, our average invested capital base was reduced by approximately \$1 billion during 2013. We remain the only investment grade-rated U.S. airline.

## PEOPLE ▼

Southwest is not just a Company of planes; we are a Company of People. Thank you to our incredible Southwest Family Members, who built this airline into what it is today—the most successful and celebrated airline in the history of commercial aviation. Our People made 2013 a record year for Southwest, which earned them a record contribution to the ProfitSharing Plan—\$228 million, up 88 percent, or \$107 million, from 2012. Our Employees' hard work has helped us earn numerous awards and accolades, including repeat recognition as the



domestic airline industry leader in Customer Satisfaction<sup>1</sup> and one of the *FORTUNE* World's Most Admired Companies. We continued to enhance our Customer Experience including equipping all Southwest -700s and -800s with satellite-based WiFi, representing more than 75 percent of the Southwest fleet; becoming the first and only carrier to offer gate-to-gate connectivity on personal electronic devices; and partnering with DISH to offer free live TV through 2014.

We connect People to the important moments in their lives, and we understand that these moments are often centered around a place—their community. We champion causes that matter to our communities and extend our LUV by volunteering our time and donating tickets and dollars to organizations that serve those in need. In 2013, we donated nearly \$19 million<sup>2</sup> in corporate monetary, in-kind, and ticket donations to our communities, and our Southwest and AirTran Employees volunteered more than 144,000 hours.

## PLANET ▼

At Southwest, we recognize that by operating efficiently, we minimize our impact on the environment. We are committed to making environmentally responsible decisions and operating with a green filter, a mindset of protecting our planet while remaining true to our low-cost philosophy. Helping to maintain our natural world is important to us, and you've told us it's important to you, too.

As a result of our fleet modernization and other fuel initiatives, we increased our fuel efficiency and decreased our greenhouse gas (GHG) emissions in 2013, despite an increase in the size of our operations compared to 2012. We are committed to using resources responsibly, conserving fuel and water, recycling onboard and on the ground, employing green purchasing practices,

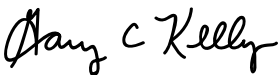
implementing design and construction practices that meet LEED® (Leadership in Energy and Environmental Design) standards for new construction and building retrofits, and supporting strategic initiatives that we expect to lead to further GHG emissions reductions in the future.

## LOOKING FORWARD ▼

Our Purpose is to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. That was true on day one in 1971, and it continues to drive our passion. We are optimistic about the opportunities that are unfolding, as we work toward our Vision-oriented goals to become the:

- **Most Loved:** Own our Culture, Live our Brand, and Win More Customers
- **Most Flown:** Deliver Safe, Reliable, Efficient Operations
- **Most Profitable:** Regain our Low-Cost Leadership to Achieve and Maintain our Profit Requirement

We are on track to complete the integration and retire the AirTran brand by the end of 2014; launch international service on Southwest—a monumental milestone for us—on July 1, 2014; and expand service from Dallas Love Field (DAL) with the October 2014 repeal of the Wright Amendment. These are just a few of the initiatives helping us fulfill our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline.



**Gary C. Kelly**

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

March 31, 2014

## APPENDIX

- 1) From the 2013 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2014. Top ranking is for Southwest only. AirTran ranked fifth in the same report.  
2) Includes AirTran data for calendar year 2013.





# Feature Stories

▷▷ We're featuring integrated stories that support the triple bottom line and our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline.

At Southwest Airlines, we are passionate about living our Purpose to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. Our passion is a catalyst for continuous improvement, carried out through our strategic plan, designed to propel us toward our goal of a 15 percent pre-tax ROIC. In addition, our ongoing fuel saving initiatives reduce both operating costs and greenhouse gas emissions. We are also passionate about our communities and part of that is helping them recover from natural disasters by providing a compassionate, humanitarian response.

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# PURPOSE FUELS OUR STRATEGIC PLAN

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We are in the midst of our five-year strategic plan, which began in 2011.

This bold plan comprises five major strategic initiatives—AirTran Airways Integration, Rapid Rewards® frequent flyer program, Fleet Modernization, the 737-800s, and a New Reservation System and International Capabilities—and other initiatives. Our plan was designed to significantly increase our revenues; reduce our unit costs; expand our network; enhance the Customer Experience; sustain our award-winning brand; and allow us the flexibility to manage our fleet needs in a variety of economic, social, and environmental conditions. This triple bottom line focus supports our Vision.

We dedicated 2013 to continuing our forward momentum and making monumental strides in each of our strategic initiatives.

## AIRTRAN INTEGRATION ▼

On May 2, 2011, we acquired AirTran, which allows us to provide Southwest's low-fare service to more Customers in more markets, creating the opportunity for hundreds of additional low-fare itineraries for the traveling public. Strategically, both carriers place an emphasis on outstanding Customer Service; high-quality, low-cost operations; solid, low-fare brands; and strong Employee cultures. Our Employees have worked hard to facilitate a thoughtful and smooth integration process while providing the same high level of Customer Service that Customers have come to expect.

Highlights of the AirTran integration in 2013 include:

- We achieved approximately \$400 million in annual net pre-tax synergies, as planned.
- We fully deployed connecting capabilities between the Southwest and AirTran networks, allowing Customers of both Southwest and AirTran to book connecting itineraries between the two carriers, flying between any of the combined 96 Southwest and AirTran destinations on a single itinerary.
- We expanded Southwest Cargo to the AirTran network.
- We ended the year with Southwest service in all domestic AirTran airports.
- We continued to transfer AirTran Employees to the Southwest Family. As of Dec. 31, 2013, approximately 65 percent of AirTran Employees had been converted to Southwest Employees.
- We further optimized our route network by transitioning AirTran's operations at Hartsfield-Jackson Atlanta International Airport (ATL) to a point-to-point operation, which is expected to enable efficiencies related to the scheduling of aircraft, and Flight and Ground Crews.



- We continued to convert AirTran 737-700 aircraft to the Southwest livery. As of Dec. 31, 2013, 17 out of a total of 52 AirTran -700 aircraft had completed the conversion process and re-entered service as Southwest aircraft.

## RAPID REWARDS® ▼

Our award-winning Rapid Rewards® frequent flyer program enhances the Member experience while driving incremental revenues for Southwest. Rapid Rewards® Members earn points based on the amount and type of fare purchased and continue to accumulate points until the time they decide to redeem them. Any seat that is available for purchase is also available for reward redemption. As a result, the program provides Members significant flexibility and options for earning and redeeming rewards.

To date, the program has exceeded our expectations with respect to the number of Rapid Rewards® Members added, the amount spent per Member on airfare, the number of flights taken by Members, the number of Southwest's co-branded Chase® Visa credit card holders added, the number of points sold to business partners, and the number of Rapid Rewards® points purchased by program Members. In 2013, Customers of Southwest and AirTran redeemed approximately 5.4 million flight awards, up from approximately 4.5 million in 2012.

In 2013, Members were able to transfer their loyalty rewards between the Southwest and AirTran frequent flyer programs, so Members have the benefit of the entire combined network for redemption. We also continued to grow our Rapid Rewards® partnership portfolio in 2013 by adding new earning opportunities within and beyond the travel industry.

## FLEET MODERNIZATION AND THE 737-800s ▼

We believe our fleet modernization plan provides substantial flexibility to manage our fleet needs in a variety of economic, social, and environmental conditions. Modernizing our fleet supports our commitment to the triple bottom line by reducing our unit operating costs and our **greenhouse gas (GHG) emissions**, improving **fuel efficiency**, and continuing to enhance the **Customer Experience**.

During 2013, we purchased 16 new -800s from Boeing, leased two new -800s and two -700s from third parties, retired ten of our older 737-300s and 737-500s and one -700, and removed 22 717-200s from service. As of Dec. 31, 2013, Southwest had scheduled deliveries for Boeing -700s, -800s, 737 MAX 7 and MAX 8 aircraft and used aircraft commitments, as shown in the Aircraft Delivery Schedule below.



### Aircraft Delivery Schedule<sup>1</sup> (as of Dec. 31, 2013)

	Boeing Next-Generation 737			Additional -700 Commitments	Boeing 737 MAX			Total
	-700 Firm Orders	-800 Firm Orders	Options		-7 Firm Orders	-8 Firm Orders	Options	
2014	—	33	—	7	—	—	—	40
2015	—	19	—	5	—	—	—	24
2016	31	—	12	—	—	—	—	43
2017	15	—	12	—	—	14	—	41
2018	10	—	12	—	—	13	—	35
2019	—	—	—	—	15	10	—	25
2020	—	—	—	—	14	22	—	36
2021	—	—	—	—	1	33	18	52
2022	—	—	—	—	—	30	19	49
2023	—	—	—	—	—	24	23	47
2024	—	—	—	—	—	24	23	47
2025	—	—	—	—	—	—	36	36
2026	—	—	—	—	—	—	36	36
2027	—	—	—	—	—	—	36	36
Total	56 <sup>2</sup>	52	36	12	30	170 <sup>3</sup>	191	547

### Evolve: The New Southwest Experience

During 2013, we completed the retrofit of the Southwest -700 fleet with an updated cabin interior. *Evolve: The New Southwest Experience* is intended to enhance Customer comfort, personal space, and the overall travel experience, while improving fleet efficiency and environmental impact. The cabin refresh features a brighter color scheme and more durable, eco-friendly seats that weigh less than the previous seats. By maximizing the space inside the plane, *Evolve* allows for the added benefit of six additional seats on each retrofitted aircraft along with more sustainable and cost-effective materials. The process for selecting these materials goes back to 2009 when we launched the Green Plane to test the market's latest sustainable products onboard an aircraft. For more on the story behind *Evolve*, visit [southwestonereport.com/2011/#!/planet/future-planet](http://southwestonereport.com/2011/#!/planet/future-planet) and click on "LUV Story: The Evolution of *Evolve: The New Southwest Interior*."

We also retrofitted 78 of our -300 aircraft with *Evolve* in 2013. In addition to the -700 and -300 retrofits, the -800 aircraft entering our fleet also feature the *Evolve* interior. The 17 AirTran -700 aircraft that had been converted to Southwest livery as of Dec. 31, 2013, received the new *Evolve* interior, and the remaining 35 AirTran -700 aircraft are scheduled to receive the new *Evolve* interior at the time of conversion to the Southwest fleet.



**Fleet Composition** (percentage of fleet as of Dec. 31, 2013)  
Aircraft at Yearend: 681



### Boeing 737-800s

To further support our fleet modernization efforts, during 2013, we continued to incorporate the -800s into the Southwest fleet. The -800's all-coach seating configuration offers significantly more Customer seating capacity than Southwest's other aircraft. In addition to the -800's added seating capacity, its configuration includes the stylish Boeing Sky interior, which features a quieter cabin, improved operational security features, and LED reading and ceiling lighting. In addition, the -800 is better suited for Southwest to adjust our route network to more longhaul flying, as the domestic airline industry has experienced a decline in shorthaul flying. We expect the -800 will continue to enable us to more economically serve longhaul routes; improve scheduling flexibility and more economically serve high-demand, slot-controlled, and gate-restricted airports by adding seats to such markets without increasing the number of flights; and boost **fuel efficiency** to reduce overall unit costs. We estimate the -800s added to our fleet in 2013 have reduced our GHG emissions by more than 42,000 metric tons of carbon dioxide equivalent in 2013. Potentially, the -800 could enable Southwest to more economically expand to new longhaul markets in Mexico, the Caribbean, Central America, northern South America, Canada, Alaska, and Hawaii.

### Boeing 737-700s

To replace our older, less fuel-efficient aircraft prior to the launch of the 737 MAX, in addition to our -800s, we have firm orders and options for -700 aircraft. These aircraft are 6 to 7 percent more fuel efficient than the 737 Classic fleet, providing the opportunity to improve fuel burn prior to the 2017 expected launch of the 737 MAX.

### Boeing 737 MAX

We are scheduled to be the launch customer for the new Boeing 737 MAX aircraft, which is designed to be more fuel efficient and environmentally friendly than our current Boeing aircraft. We have placed firm orders for 170 of the Boeing 737 MAX 8 aircraft and expect to begin taking delivery in 2017. We expect these aircraft will reduce fuel burn and carbon dioxide emissions by an additional 13 percent over today's most fuel-efficient, single-aisle airplanes. Additionally, in 2013, we placed a firm order for 30 of the Boeing 737 MAX 7 aircraft and expect to begin taking delivery in 2019. We also have options to purchase an additional 191 Boeing 737 MAX aircraft during 2021 through 2027. We believe the 737 MAX will have the lowest operating unit costs in the single-aisle segment.

### Transition of Boeing 717 Aircraft

Pursuant to an agreement with Delta Air Lines, Inc., and Boeing Capital Corp., we began leasing or subleasing AirTran's 88 Boeing 717-200 aircraft to Delta during 2013. As of Dec. 31, 2013, we replaced the flying for 22 717s removed from service with Southwest 737 service. Of the 22 717s removed from service in 2013, 13 were transitioned to Delta.

### NEW RESERVATION SYSTEM AND INTERNATIONAL CAPABILITIES ▼

Replacing our reservation system is a multi-year initiative that is expected to bring international and enhanced revenue management capabilities, along with operational benefits. In 2013, we completed the steps necessary to implement Southwest's international reservation system in January 2014. We also launched our first Southwest

service outside the continental United States by introducing San Juan, Puerto Rico, to our route map in April 2013.

In 2013, we broke ground on the five-gate, international facility at Houston's William P. Hobby Airport (HOU), planned to open in late 2015. Once completed, the five-gate facility will accommodate international flights for Southwest with service potentially reaching destinations in the Caribbean, Mexico, Central America, the northern cities of South America, and Canada.

In December 2013, Southwest entered into an agreement with Broward County, Fla., which owns and operates Fort Lauderdale-Hollywood International Airport (FLL), to oversee and manage the design and construction of the airport's Terminal 1 Modernization Project. In addition to significant improvements to the existing Terminal 1, the project includes the design and construction of a new five-gate Concourse A with an international processing facility.



Groundbreaking for the Houston Hobby (HOU) international terminal.

## LOOKING FORWARD ▼

We are excited about the milestones we expect to achieve in 2014 and beyond as we continue implementing our strategic plan, which supports our Vision.

### AirTran Integration

- We remain on track with our plan to fully integrate Southwest's and AirTran's networks and operations by the end of 2014, including the conversion of AirTran's international and remaining domestic markets.
- The transfer of all remaining AirTran Employees, including Flight Crews and Dispatchers whose transition is aligned with aircraft conversion, is scheduled for completion in 2014.

### Rapid Rewards®

- The AirTran frequent flyer program, A+ Rewards, is scheduled to merge into Rapid Rewards® by the end of 2014.
- The new program, rolled out in 2011, is well on its way to driving hundreds of millions in incremental annual revenues, net of any associated program costs.

### Fleet Modernization and the 737-800s

- We expect our fleet modernization contribution to earnings before interest and taxes (EBIT) to grow to more than \$700 million in 2015.
- During 2014, we expect to convert the remaining 35 AirTran -700s into Southwest in conjunction with the expected conversion of AirTran's seven international markets.
- The remaining 66 717s are scheduled to be removed from service by the end of 2014 and will be transitioned to Delta through 2015.



Gary Kelly announcing new nonstop flights from Dallas Love Field (DAL) after the Wright Amendment repeal in 2014.

- As of March 31, 2014, our Next-Generation 737 and 737 MAX firm orders with Boeing total 308 for 2014 through 2024. We also had 18 pre-owned -700s scheduled to be delivered in the next two years.

### International Destinations

- In January 2014, we began selling our first international itineraries to be flown by Southwest aircraft and announced plans to begin Southwest service to Jamaica (Montego Bay), The Bahamas (Nassau), and Aruba (Oranjestad) beginning July 1, 2014. On Aug. 10, 2014, we plan to begin Southwest service to Cancun and Cabo San Lucas.
- We expect to launch Southwest international service to Mexico City and the Dominican Republic (Punta Cana) by the end of 2014.

### Domestic Network Opportunities

- In 2014, we will add additional flights to some of our Customers' favorite domestic destinations, like San Diego and Portland, Ore.

- In January 2014, we were notified of our winning bid to acquire 54 takeoff and landing slots<sup>4</sup> for 27 roundtrip flights at Washington Reagan National Airport (DCA), which must be divested in connection with the merger between American Airlines, Inc., and US Airways Group, Inc. The acquisition of these slots will supplement our existing service at DCA. By the end of 2014, we expect to offer 44 daily departures.
- In May 2014, we plan to start supplementing existing Southwest service at New York LaGuardia Airport (LGA) with 12 newly acquired takeoff and landing slots<sup>4</sup>, bringing our total daily departures to 33.
- With the October 2014 repeal of the Wright Amendment, we also look forward to expanding service at Dallas Love Field (DAL) to 15 nonstop destinations, as announced on Feb. 3, 2014.

# FUEL INITIATIVES



Representative Fuel Initiatives | 15

When it comes to fuel conservation, we believe every ounce counts, and our Employees continuously seek opportunities to improve fuel efficiency.

Fuel is our largest expense, so fuel savings help us maintain low fares for our Customers. Fuel savings also directly translate to a decrease in greenhouse gas (GHG) emissions, reducing our impact on the planet—further evidence of our belief that environmental decisions make good business sense. Our fuel initiatives implemented in 2013 are expected to save an estimated \$30 million and avoid more than 100,000 metric tons of GHG emissions annually.



## REPRESENTATIVE FUEL INITIATIVES ▼

Whether it's reviewing procedures or installing new technologies, we consider every opportunity to increase fuel efficiency in our operations. A Team of Employees, representing departments companywide, works together to evaluate and implement fuel-saving initiatives.

### Galley Refresh

We worked with our Flight Attendant Strategic Team to complete a thorough review of items stocked in our aircraft galleys and to find opportunities to decrease the overall weight of our aircraft without compromising Customer Service. While the number of coffee cups stocked in the galley may seem insignificant, a few ounces saved here or there can add up to significant fuel savings. So far, our efforts to reduce the weight of dry goods in the galley have led to an average weight reduction of 28 pounds per aircraft. In total, the weight removed from the galley is expected to save more than a quarter million gallons of fuel and hundreds of thousands of dollars annually. This fuel savings translates to a GHG emissions reduction of more than 2,500 metric tons of carbon dioxide equivalent (CO<sub>2</sub>e) each year.

### Fuel Planning

The jet fuel itself contributes to the weight of the aircraft; therefore, carrying excess fuel can lead to additional fuel burn. By reviewing our fuel planning calculations, we have further improved our fuel efficiency while continuing to provide for the absolute Safety of our Customers and Employees. These fuel weight reductions have led to a savings of more than 2.5 million gallons of fuel and millions of dollars in fuel costs in 2013. The decreased fuel burn reduced our GHG emissions by more than 26,000 metric tons of CO<sub>2</sub>e.



### Single-Engine Taxi

In 2013, we updated our standard operating procedure for aircraft taxiing to allow more opportunities for Pilots to single-engine taxi. Utilizing a single engine (rather than both engines) during aircraft taxi saves on average 14 gallons per taxi. That may not sound like much, but when you factor the number of times single-engine taxi was utilized in 2013, it saved more than 1.5 million gallons of fuel, which translated to more than \$5 million saved and more than 16,000 metric tons of CO<sub>2</sub>e emissions avoided.

### Fleet Modernization and the 737-800

Our most significant initiatives to improve fuel efficiency are our fleet modernization plan and our acquisition of -800s, which encompass two of our five major strategic initiatives. Read more about these initiatives in the [Purpose Fuels Our Strategic Plan](#) feature story.

### Required Navigation Performance

Southwest is a nationally recognized leader in Required Navigation Performance (RNP) implementation, having spent nearly \$175 million to retrofit our -700 and select -300 aircraft with state-of-the-art avionics and trained nearly 6,000 Pilots and 200 Dispatchers. RNP is the cornerstone of the Federal Aviation Administration's (FAA) satellite-based Next Generation Air Transportation system (NextGen). We are working alongside the FAA, airport officials, and industry stakeholders as the lead carrier to develop and implement more than 150 RNP procedures for public use at more than 40 airports across the nation. RNP Authorization Required procedures are high-performance, GPS-based, continuous-descent approaches that improve Safety, reduce carbon emissions, and are designed to take advantage of the fuel characteristics in an airline's fleet. In 2011, Southwest

began flying RNP routes at 11 airports across the country, and we continue to support the development of RNP procedures, with the goal of operating RNP approaches at all 96 airports we currently serve.

### Electronic Flight Bags

In 2013, we decided to use tablets for Employees in Flight Operations to deliver electronic documentation and provide consistent weather information. The tablet will replace two flight bags containing necessary paper charts and manuals that weigh approximately 40 pounds each. By switching to electronic flight bags, we are not only reducing weight on the aircraft, but also reducing our Flight Operations' paper consumption.

### Blended Winglets

One of the most visible fuel conservation technologies on our Boeing 737 aircraft are winglets—the vertical fins on the tips of a plane's wings. Those “doohickeys” have saved us an estimated 55 million gallons of fuel per year for the past several years, which is approximately 3.5 percent of fuel savings per aircraft.

### Engine Wash

Aircraft engines ingest particles such as dirt, dust, insects, pollen, etc. during taxi, takeoff, and landing. These particles build up on the engine and result in increased fuel burn. Engine washing helps to restore engine efficiency and, in turn, reduce emissions. The engine wash program for our Next-Generation 737s results in an estimated \$9.5 million in fuel savings and 40,000 metric tons of CO<sub>2</sub>e

emissions avoided annually. To conserve water, our engine wash system collects the wash water, filters it, and recycles that water for future washes.

### Engagement

We advocate for advancements in carbon-efficient technologies and alternative fuels and support industry-wide technological improvements such as NextGen. Read more about our support for new technology in the [Position on Climate Change](#) section in Planet.

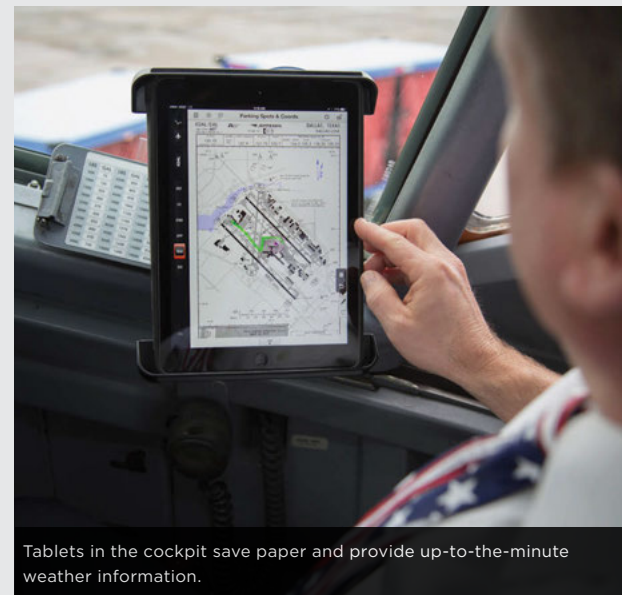
We rely on the Warrior Spirit of our Employees, who put these initiatives into action every day and provide feedback and ideas that continue to improve our fuel efficiency. Every gallon of fuel saved helps us maintain our excellent record of profitability and minimize our impact on the planet.

For more on the results of our current fuel initiatives and our goals for continued improvement, see the [Jet Fuel Conservation](#) section in Planet. Our fuel initiatives are not limited to jet fuel. See the [Ground Service Equipment \(GSE\) Fuel Conservation](#) section in Planet for more fuel-saving initiatives.

## LOOKING FORWARD ▼

Our search for fuel-saving initiatives is ongoing. Examples of initiatives on deck for 2014 include:

- **Split Scimitar Winglets:** In January 2014, we announced an order for 85 Split Scimitar Winglets from Aviation Partners Boeing for our -800 aircraft. We estimate these winglets will provide annual fuel savings of 5 to 5.5 percent per aircraft for these -800s. In addition to lowering our fuel costs, the new Split Scimitar Winglets will reduce emissions, supporting our commitment to efficiency and reducing our impact on the planet.



- **Electronic Flight Bag Implementation:** Based on a successful trial in 2013, we are planning on rolling out full implementation of this initiative in 2014.

## HUMANITARIAN RESPONSE



Disaster in Our Communities | 18



Emergency Preparedness | 18

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

Caring can mean offering compassion to those affected, activating key response Teams, and supporting organizations and volunteers who clean up after a storm. We also have plans in place for a variety of incidents that may affect Southwest and our neighbors, so we can promptly mobilize, respond to the situation, and return to normal operations as quickly as possible.



## DISASTER IN OUR COMMUNITIES ▼

Whether it is a natural disaster like a wildfire or tornado or senseless acts of violence in our communities, we rally around our neighbors and Employees who are affected, adjust operations as needed, and do what we can to help communities recover. We work proactively with charitable organizations such as the American Red Cross to be ready and to fly in support response teams, counselors, and other volunteers. Recognizing the heroic efforts of the first responders, we wrote thank you notes to local police and firefighters at each of our 2013 Message to the Field events.

### Oklahoma Tornado Response

In the aftermath of the devastating tornados in central Oklahoma on May 31, 2013, we reacted quickly to check on the wellbeing of our Employees who lived in the affected area and ensure safe operations at the airport and our Oklahoma Customer Support and Services Center. Simultaneously, we began working with charitable organizations to support the community in its recovery.

With our support, Team Rubicon, a team of veterans skilled in disaster response, immediately flew in to assess the damage and clear debris alongside first responders. Southwest Volunteers showed their support by serving dinner to Team Rubicon. With many Employees affected and communities devastated by the EF-3 tornado, Southwest organized a day of service in El Reno, Okla., one of the areas hardest hit. More than 100 Employees from Oklahoma City and across the country joined All Hands, a disaster response organization, in cleaning up debris. On their day off, Employees cleared metal and household objects and sorted debris scattered across 200 acres of wheat fields in El Reno. Their efforts kept a farmer from losing his harvest, and a family who lost their home began the rebuilding process. This one day of work that these more than 100 Volunteers completed would have taken the families living on the land several months

to clear. The debris removal had the added benefit of preventing possible storm water or soil contamination associated with the debris.

This disaster also affected Southwest Employees and their families. Through fundraisers and payroll deductions, the Southwest Airlines Employee Catastrophic Assistance Charity (SWAECAC) allows Employees to make tax-deductible donations to a collective assistance fund. These funds are dispersed to Coworkers who apply due to a personal crisis or need. The SWAECAC was able to offer assistance to those affected, including 15 Employees whose homes were damaged or lost in the tornado.

## EMERGENCY PREPAREDNESS ▼

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

### Preparedness Month

September is National Preparedness Month and during the month, we take extra time to educate, inform, and remind Employees how to be personally prepared during a natural disaster—it is important to us to equip our Employees with the knowledge to keep themselves safe. We help prepare them for hurricanes, tornados, wildfires, flooding, and other natural disasters as well as remind



More than 100 Employees cleared debris after tornadoes struck El Reno, Okla.

them of Southwest's disaster preparedness plans. During this time we also remind Employees to update their contact information, so in the event of a disaster we can check on their wellbeing and stay in communication.

## APPENDIX

- 1) For our most recent aircraft delivery schedule, see <http://southwest.investorroom.com>.
- 2) Southwest has the flexibility to substitute -800s in lieu of -700 firm orders.
- 3) Southwest has the flexibility to substitute MAX 7 in lieu of MAX 8 firm orders beginning in 2019.
- 4) A "slot" is the right of an air carrier, pursuant to regulations of the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.



▷▷ We're united by a Purpose that's at the heart of everything we do. Southwest exists to connect People to what's important in their lives through friendly, reliable, and low-cost air travel. If it matters to you, it matters to us.

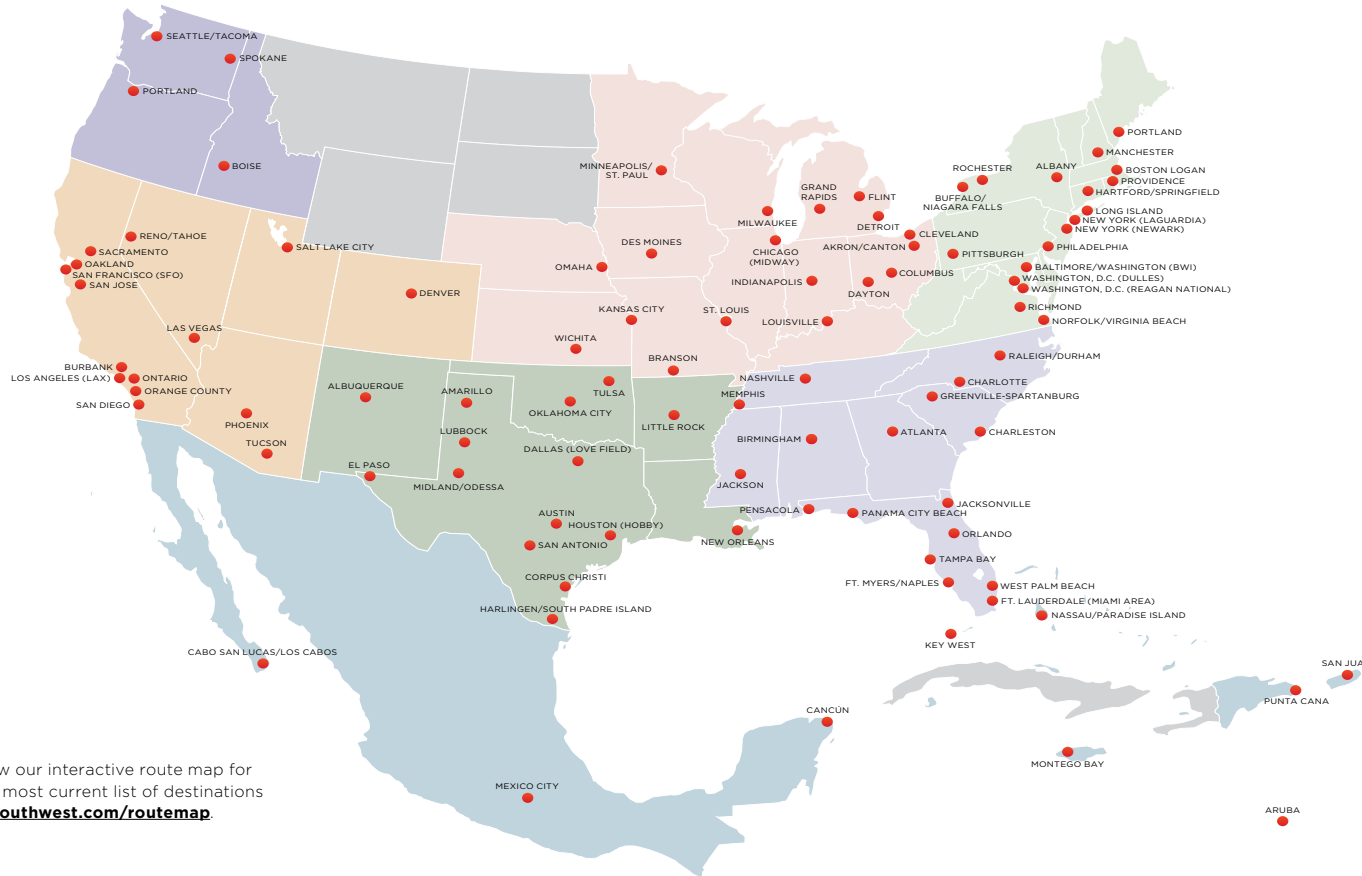
IN THIS SECTION:

[p. 20 Overview](#)

[p. 21 Awards & Accolades](#)

[p. 21 Appendix](#)

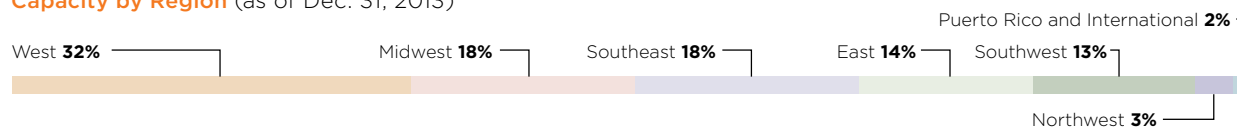
## WE'LL GET YOU THERE ▼



View our interactive route map for our most current list of destinations at [southwest.com/routemap](http://southwest.com/routemap).

System map as of Dec. 31, 2013. Prior to Dec. 31, 2013, we announced that Southwest will cease operations at Branson Airport (BKG), Key West International Airport (EYW), and Jackson-Evers International Airport (JAN) on June 7, 2014. Southwest ended seasonal service to Bermuda in 2013.

### Capacity by Region (as of Dec. 31, 2013)



### Market Share<sup>1</sup> (top 100 city-pair markets)



### Market Share<sup>1</sup> (total domestic market)



### Top Ten Airports

(daily departures as of Dec. 31, 2013)<sup>2</sup>

**MDW: 227**

Chicago Midway

**LAS: 210**

Las Vegas

**BWI: 202**

Baltimore/Washington

**DEN: 165**

Denver

**HOU: 162**

Houston Hobby

**ATL: 160**

Atlanta

**PHX: 160**

Phoenix

**DAL: 127**

Dallas Love Field

**MCO: 116**

Orlando

**LAX: 107**

Los Angeles



# AWARDS & ACCOLADES

All listed awards were received by Southwest in 2013 unless otherwise noted.

## INDUSTRY-LEADING AIRLINE ▼

**World's Most Admired Companies, #7 in 2013, #9 in 2014**  
*FORTUNE*

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

**Top 25 Brands of 2013, #1 Among Travel-Related Companies, #5 Overall**  
*The Business Journals*

**U.S. Top 100 Global Reputation Pulse, #46**  
Reputation Institute

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

**Air Cargo Excellence, up to 299,000 Tons Category #1**  
*Air Cargo World*

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

**America's Top 500 Companies, #304**  
*Barron's*

**Value Chain Gold Award in Aviation**  
*Connected World*

## SAFETY MATTERS ▼

**One of the World's Safest Airlines, #3 AirTran, #8 Southwest**  
Airline Quality Rating

**Holistic Safety Rating, #3**  
Air Transport Rating Agency

## GREEN LEADER ▼

**FORTUNE 500 Green Power Partners, #39<sup>3</sup>**  
U.S. Environmental Protection Agency

**U.S. Domestic Airline Fuel Efficiency, #5**  
International Council on Clean Transportation

## CUSTOMER SERVICE FROM THE HEART ▼

**Customer Satisfaction, #1<sup>4</sup>**  
U.S. Department of Transportation

**Best Online Customer Experience in Travel: Airlines**  
Keynote Competitive Research

**Reward Seat Availability, #1 in the U.S., tied for #1 Globally**  
IdeaWorksCompany.com

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

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

**Airline Customer Satisfaction Survey, #2**  
*Consumer Reports*

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

**Top Domestic Airlines, #3**  
*Travel + Leisure*

**Best Domestic Airline—Customer Service**  
*Executive Travel Magazine*

## ONE OF THE BEST PLACES TO WORK ▼

**Best Travel & Leisure Company, #1**  
Vault.com

**One of the Top 50 Best Places to Work, #12**  
Glassdoor.com

**One of the Top 100 Military Friendly Employers, #58 in 2013, #70 in 2014**  
*G.I. Jobs* magazine

## RESPECTED IN THE COMMUNITY ▼

**100 Best Corporate Citizens, #69**  
*Corporate Responsibility* magazine

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

**Corporate Equality Index, Scored 90 out of 100 in 2014**  
Human Rights Campaign

**Corporate Advocate of the Year Award**  
Hispanic Chamber of Commerce of Metro Denver

**Grassroots Innovation Award**  
Public Affairs Council

## APPENDIX

- 1) As measured by the number of originating domestic passengers boarded and based on data available from the U.S. Department of Transportation as of Sept. 30, 2013. Applies to Southwest only.
- 2) Average number of weekday flights as of Dec. 31, 2013, which represents what the airport typically sees during the week.
- 3) The U.S. Environmental Protection Agency *FORTUNE* 500 Green Power Partnership rankings are updated quarterly. Southwest ranked 39th as of Sept. 19, 2013.
- 4) From the 2013 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2014. Top ranking is for Southwest only. AirTran ranked fifth in the same report.

# Performance



▷▷ With record profits in 2013, we did it again—41 years of consecutive profitability, a record unmatched in the U.S. airline industry.

At Southwest Airlines, our Purpose fuels our passion. This passion for what we do led to superb performance in 2013. Notable financial accomplishments include:

- Reported record net income of \$754 million and, excluding special items<sup>a</sup>, record net income of \$805 million
- Achieved 13.1 percent annual pre-tax return on invested capital, excluding special items (ROIC)<sup>a</sup>
- Remained on track with the AirTran integration, achieving approximately \$400 million in annual net pre-tax synergies
- Contributed approximately \$300 million to our earnings before interest and taxes (EBIT) from our continued fleet modernization efforts
- Returned \$611 million to Shareholders through repurchases of \$540 million of common stock (38 million shares) and distribution of \$71 million in dividends
- Reduced long-term debt and capital lease obligations by \$313 million
- Deferred \$1 billion in aircraft capital spending to beyond 2018

**IN THIS SECTION:**<sup>E</sup>

[p. 23 Performance Data](#)

[p. 25 2013 Performance](#)

[p. 30 Ten-Year Summary](#)

[p. 33 Financial Management Approach](#)

[p. 35 Appendix](#)

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

## PERFORMANCE DATA

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

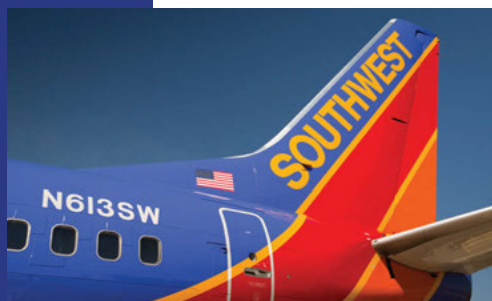
	2013	2012	Change
Operating revenues	\$17,699	\$17,088	3.6%
Operating expenses	\$16,421	\$16,465	(0.3)%
Operating income	\$1,278	\$623	105.1%
Operating margin	7.2%	3.6%	3.6 pts.
Net income	\$754	\$421	79.1%
Net margin	4.3%	2.5%	1.8 pts.
Net income per share, basic	\$1.06	\$0.56	89.3%
Net income per share, diluted	\$1.05	\$0.56	87.5%
Stockholders' equity	\$7,336	\$6,992	4.9%
Return on average Stockholders' equity	10.5%	6.1%	4.4 pts.
Stockholders' equity per common share outstanding	\$10.47	\$9.57	9.4%
Revenue Passengers carried	108,075,976	109,346,509	(1.2)%
Revenue Passenger miles (RPMs) (000s) <sup>1</sup>	104,348,216	102,874,979	1.4%
Available seat miles (ASMs) (000s) <sup>2</sup>	130,344,072	128,137,110	1.7%
Passenger load factor <sup>3</sup>	80.1%	80.3%	(0.2) pts.
Passenger revenue yield per RPM <sup>4</sup>	16.02¢	15.64¢	2.4%
Operating revenue yield per ASM <sup>5</sup>	13.58¢	13.34¢	1.8%
Operating expenses per ASM <sup>6</sup>	12.60¢	12.85¢	(1.9)%
Aircraft at yearend <sup>7</sup>	681	694	(1.9)%
Active, full-time equivalent Employees at yearend	44,831 <sup>8</sup>	45,861	(2.2)%



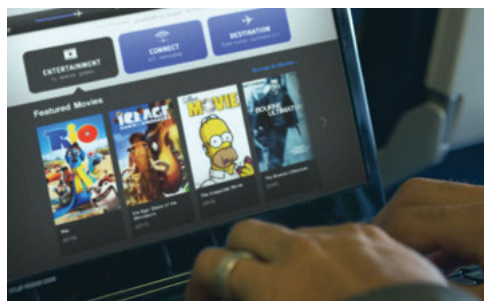
## RECONCILIATION OF REPORTED AMOUNTS TO NON-GAAP FINANCIAL MEASURES<sup>6</sup>

(dollars in millions except per share amounts, unaudited)	2013	2012	2011	2010	2009
<b>Fuel and oil expense, unhedged</b>	<b>\$ 5,645</b>	<b>\$ 5,963</b>	<b>\$ 5,580</b>	<b>\$ 3,296</b>	<b>\$ 2,577</b>
Add: Fuel hedge losses included in Fuel and oil expense	118	157	64	324	467
<b>Fuel and oil expense, as reported</b>	<b>\$ 5,763</b>	<b>\$ 6,120</b>	<b>\$ 5,644</b>	<b>\$ 3,620</b>	<b>\$ 3,044</b>
Deduct: Net impact from fuel contracts	(84)	(32)	—	(172)	(222)
<b>Fuel and oil expense, economic</b>	<b>\$ 5,679</b>	<b>\$ 6,088</b>	<b>\$ 5,644</b>	<b>\$ 3,448</b>	<b>\$ 2,822</b>
<b>Net income, as reported</b>	<b>\$ 754</b>	<b>\$ 421</b>	<b>\$ 178</b>	<b>\$ 459</b>	<b>\$ 99</b>
Add/(Deduct): Mark-to-market impact from fuel contracts settling in future periods	(103)	(221)	21	(21)	(73)
Add/(Deduct): Ineffectiveness from fuel hedges settling in future periods	11	42	33	(11)	(97)
Add/(Deduct): Other net impact of fuel contracts settling in the current or a prior period (excluding reclassifications)	87	(10)	35	171	184
Add/(Deduct): Income tax impact of fuel contracts	2	73	(31)	(52)	(5)
Add: Charge from voluntary early-out program, net <sup>9</sup>	—	—	—	—	35
Add: Charge for asset impairment, net <sup>9</sup>	—	—	9	—	—
Add: Charge for acquisition and integration costs, net <sup>9</sup>	54	112	85	4	—
<b>Net income, non-GAAP</b>	<b>\$ 805</b>	<b>\$ 417</b>	<b>\$ 330</b>	<b>\$ 550</b>	<b>\$ 143</b>
<b>Net income per share, diluted, as reported</b>	<b>\$ 1.05</b>	<b>\$ 0.56</b>	<b>\$ 0.23</b>	<b>\$ 0.61</b>	<b>\$ 0.13</b>
Add/(Deduct): Net impact from fuel contracts	—	(0.15)	0.07	0.12	0.02
Add: Impact of special items, net <sup>9</sup>	0.07	0.15	0.13	0.01	0.04
<b>Net income per share, diluted, non-GAAP</b>	<b>\$ 1.12</b>	<b>\$ 0.56</b>	<b>\$ 0.43</b>	<b>\$ 0.74</b>	<b>\$ 0.19</b>
<b>Return on invested capital (ROIC), pre-tax:</b>					
<b>Operating income, as reported</b>	<b>\$ 1,278</b>	<b>\$ 623</b>	<b>\$ 693</b>	<b>\$ 988</b>	<b>\$ 262</b>
Add: Net impact from fuel contracts	84	32	—	172	222
Add: Charge from voluntary early-out program, net <sup>10</sup>	—	—	—	—	56
Add: Charge for asset impairment, net <sup>10</sup>	—	—	14	—	—
Add: Charge for acquisition and integration costs, net <sup>11</sup>	86	183	132	7	—
<b>Operating income, non-GAAP</b>	<b>\$ 1,448</b>	<b>\$ 838</b>	<b>\$ 839</b>	<b>\$ 1,167</b>	<b>\$ 540</b>
Net adjustment for aircraft leases <sup>12</sup>	143	117	129	84	91
Adjustment for fuel hedge accounting	(60)	(36)	(107)	(134)	(148)
<b>Adjusted operating income, non-GAAP</b>	<b>\$ 1,531</b>	<b>\$ 919</b>	<b>\$ 861</b>	<b>\$ 1,117</b>	<b>\$ 483</b>
Average invested capital <sup>13</sup>	\$ 11,664	\$ 12,580	\$ 12,439	\$ 10,431	\$ 9,876
Equity adjustment for fuel hedge accounting	50	145	184	434	763
<b>Adjusted average invested capital</b>	<b>\$ 11,714</b>	<b>\$ 12,725</b>	<b>\$ 12,623</b>	<b>\$ 10,865</b>	<b>\$ 10,639</b>
<b>ROIC, pre-tax<sup>14</sup></b>	<b>13.1%</b>	<b>7.2%</b>	<b>6.9%</b>	<b>10.3%</b>	<b>4.5%</b>

# 2013 PERFORMANCE



**Strategic Plan | 26**



**Revenues | 26**



**Costs | 28**



**Financial Position | 29**

**We achieved significant progress toward our goal of 15 percent pre-tax ROIC.**

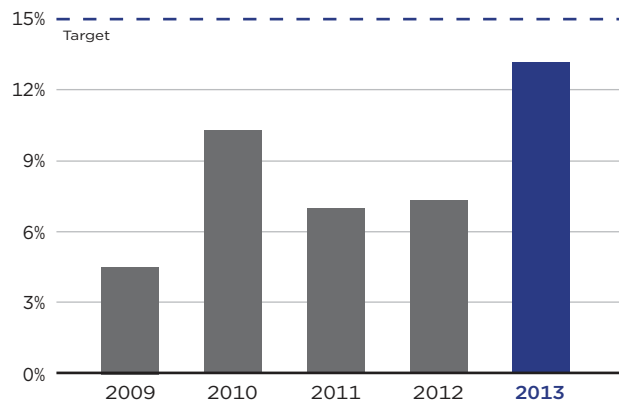
Our full year 2013 net income was \$805 million, excluding special items. We are extremely proud of these record results and the tremendous progress made on our strategic initiatives, which produced substantial returns and contributed significantly to our superb 2013 financial performance.

## STRATEGIC PLAN ▼

We understand the importance of providing an adequate return to our Shareholders, which is why we have developed a strategic plan committed to reaching our goal of 15 percent pre-tax ROIC. While we didn't quite reach our goal in 2013, we made significant progress achieving a 13.1 percent pre-tax ROIC, which is nearly double our 7.2 percent pre-tax ROIC produced in 2012.

### ROIC

(pre-tax, non GAAP)



For additional information about our pre-tax ROIC calculation, visit <http://southwest.investorroom.com/financial-statements> and click on "Return on Invested Capital Calculation."

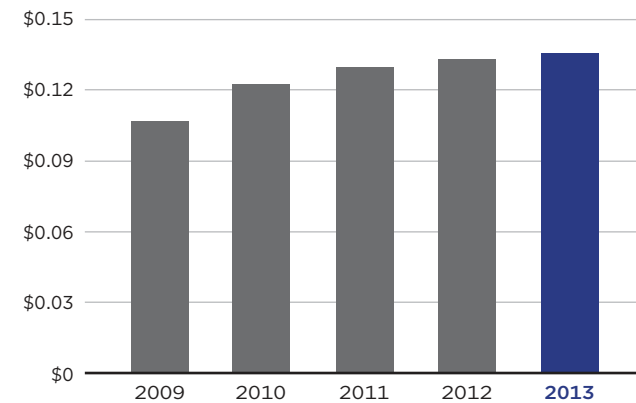
Our strategic plan comprises five major and other initiatives intended to significantly increase our revenues, reduce our unit costs, and enhance the Customer Experience. In 2013, these initiatives contributed significantly to our full year results.

As a result of the AirTran acquisition and ongoing integration, we estimate we achieved approximately \$400 million in net, pre-tax synergies during 2013 (excluding acquisition and integration expenses). We intend to complete the integration of AirTran by the end of 2014. For the full year 2013, we recognized \$100 million in incremental Passenger revenues from our Rapid Rewards® program, which was in excess of our expectations. Our fleet modernization efforts, including the 737-800 deliveries, contributed \$300 million in incremental EBIT, as we expected. We also continued to make great progress toward the January 2014 launch of our international reservation system. Read more about the progress we made on these strategic initiatives in 2013 in the [Purpose Fuels Our Strategic Plan](#) feature story.

Our other initiatives include network optimization, revenue management, and increased ancillary revenues, which are discussed in more detail in [Revenues](#).

### Operating Revenues

(per ASM)



## REVENUES ▼

Our full year 2013 total operating revenues were a record \$17.7 billion. Operating revenues for 2013 increased by \$611 million, or 1.8 percent on a unit basis, compared to 2012. Our unit revenue performance was especially impressive considering the 3.4 percent increase in our seats per trip and 1.4 percent increase in stage length. In addition, a higher than normal percentage of our network remained under development as we continued the integration of the AirTran network into Southwest. All of these factors created a drag on unit revenues, yet we produced year-over-year improvement in unit revenues.

The majority of the increase in total operating revenues was due to strength in Passenger revenues driven by higher Passenger revenue yields and solid load factors. Business Select revenues also contributed approximately \$100 million to our 2013 Passenger revenues. Our Wright Amendment revenues were outstanding. For full year 2013, we recognized approximately \$300 million in incremental revenue from Dallas Love Field (DAL) itineraries that we could not market prior to the 2006 Wright Amendment compromise.

### Source of Passenger Revenues

	2013	2012	2011	2010	2009
Internet <sup>15</sup>	80%	80%	81%	84%	81%
Customer Support and Services	4%	4%	4%	5%	8%
Travel agency <sup>16</sup>	11%	12%	12%	9%	8%
Other	5%	4%	3%	2%	3%



Freight revenues for 2013 increased by \$4 million, compared to 2012, primarily due to higher average rates charged as a result of fuel surcharges.

Other revenues for 2013 benefitted from increased ancillary products, including **EarlyBird Check-In®**. However, overall, other revenues decreased by \$21 million, compared to 2012, primarily due to a decrease in AirTran ancillary revenues as a result of the adoption of Southwest's more Customer-friendly fee policies for Customers who purchase travel on AirTran through **southwest.com**. Other revenues for 2013 included approximately \$105 million in baggage fees collected from AirTran Customers versus approximately \$146 million for 2012. As we complete the integration of AirTran's network into Southwest during 2014, we expect AirTran fees to continue the declining year-over-year trend.

#### Ancillary Revenues

By maintaining our low-fare brand and superior Customer Service, Customers keep coming back to fly Southwest, contributing to our domestic market share and long-standing annual profitability streak. Southwest is the only major U.S. airline that doesn't charge for first and second checked bags and doesn't have a change fee. Also, unlike most of our competitors, Southwest does not impose additional fees for items such as seat selection, snacks, curbside checkin, and telephone reservations. Instead, we prefer to give our Customers a choice when it comes to increased service charges.

In 2013, we introduced several new and increased ancillary revenue opportunities, including:

- **Selling open premium boarding positions at the gate:** In January 2013, we began selling open premium boarding positions, A1 through A15, at the gate to Customers 45 minutes prior to departure for \$40 per flight. This does not replace our Business Select fare or EarlyBird Check-In®, but it is simply a creative way

to generate revenue from the sale of available premium boarding positions. Also in 2013, as part of our network connectivity efforts, we began allowing Customers who book shared itineraries through AirTran channels to purchase these open premium boarding positions at the gate on Southwest-operated flights.

- **Increasing the EarlyBird Check-In® price:** In February 2013, we increased the EarlyBird Check-In® price from \$10 to \$12.50 per one-way fare. In 2013, our revenues from EarlyBird Check-In® were \$195 million.
- **Implementing a No Show policy:** Our No Show policy, implemented in September 2013, contributed \$23 million in incremental revenue in the fourth quarter. Our No Show policy applies when a Customer has booked a nonrefundable fare anywhere in his or her itinerary and that portion of the flight is not used and not canceled or changed by the Customer at least ten minutes prior to scheduled departure, at which point all unused funds on the full itinerary will be forfeited, and the remaining reservation will be canceled. With this new policy, we hope to motivate a change in Customer behavior in a way that allows us to resell empty seats prior to flight departure.

In addition to these new ancillary revenue opportunities, during 2013, we continued to experience revenue benefits from other Southwest service offerings including unaccompanied minor travel, Pets Are Welcome on Southwest (P.A.W.S.), Rapid Rewards® frequent flyer program, Business Select fares, and inflight WiFi. We now offer inflight satellite-based WiFi service on all Southwest 737-700 and -800 aircraft, representing more than 75 percent of the Southwest fleet; AirTran currently offers Gogo's inflight Internet connectivity on every AirTran flight. In 2013, we also experienced revenue benefits from increasing baggage charges on AirTran flights and on Southwest flights for the third checked bag or any bag in excess of 50 pounds.

Read more about how these ancillary offerings enhance our **Customer Experience** in People.

#### Network Optimization

We use profitability management tools to manage capacity and route expansion though optimization of our flight schedule to, among other things, better match demand in certain markets. Using our profitability management tools, we continually adjust the Southwest and AirTran networks through the addition of new markets and routes, the adjustment of frequencies in existing markets, and the exiting of certain unsustainable markets and redeployment of aircraft to other markets.

In 2013, we added Southwest service to ten new U.S. cities —Branson, Mo.; Charlotte, N.C.; Flint, Mich.; Rochester, N.Y.; Portland, Maine; Wichita, Kan.; Grand Rapids, Mich.; Memphis, Tenn.; Pensacola, Fla.; and Richmond, Va. As part of our network optimization, we ceased service to Bermuda during 2013 and announced plans to discontinue Southwest operations in Branson, Mo.; Key West, Fla.; and Jackson, Miss., beginning in June 2014.

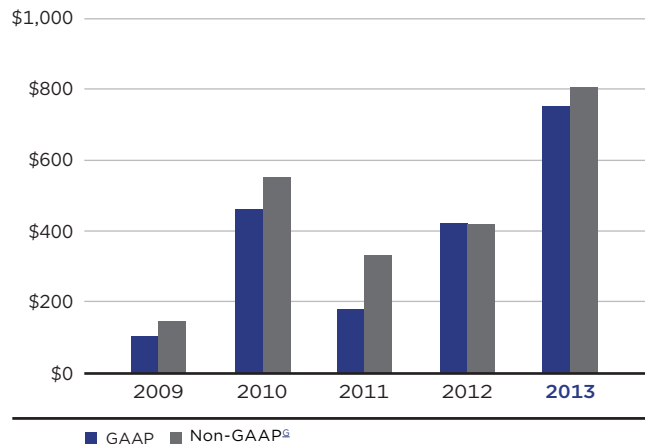
To better utilize available aircraft time during peak flying hours, we tightened schedule turn times and aircraft flying hours per day. These efforts contributed to higher yields, strong load factors, and improved revenues in 2013.

Serving 96 destinations in 41 states, the District of Columbia, the Commonwealth of Puerto Rico, and five near-international countries, our robust network allows us to take our Customers where they want to go. We believe our convenient schedule and consistent low fares are a significant competitive strength and enhance Customer loyalty.

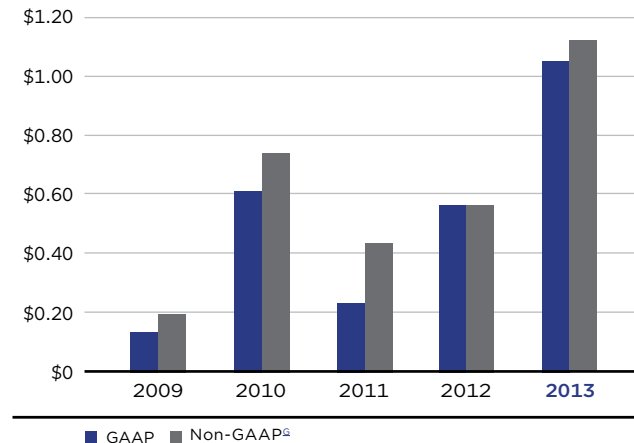
We believe the optimization and alignment of the Southwest and AirTran schedules and networks can continue to yield significant synergies and other benefits. We reached a major milestone in 2013 by completing the connection of the Southwest and AirTran networks. Read more about our AirTran integration progress in the [Purpose Fuels Our Strategic Plan](#) feature story.

During fourth quarter 2013, we took steps to supplement existing Southwest service at New York LaGuardia Airport (LGA) by acquiring 12 takeoff and landing slots<sup>17</sup> for six roundtrip flights at LGA. The acquired slots were divested by American Airlines, Inc., as part of its merger with US Airways Group, Inc. Also in connection with the divestiture, we gained ownership of ten takeoff and landing slots for five roundtrip flights at LGA that we previously operated under a lease from American. We plan to supplement existing Southwest service utilizing these newly acquired slots beginning in May 2014. Read about our bid for slots at Washington Reagan National Airport (DCA) in January 2014 in the [Purpose Fuels Our Strategic Plan](#) feature story.

#### Net Income (in millions)



#### Net Income Per Share (diluted)



#### COSTS ▼

A key component of our business strategy is our low-cost structure, which was designed to allow Southwest to profitably charge low fares. Adjusted for stage length, Southwest has lower unit costs, on average, than the vast majority of major domestic carriers.

Our low-cost structure has historically been facilitated by our use of a single aircraft type, the Boeing 737, an operationally efficient point-to-point route structure, and highly productive Employees. Our use of a single aircraft type has allowed for simplified scheduling, maintenance, flight operations, and training activities. Southwest's point-to-point route structure includes service to and from many secondary or downtown airports. These conveniently located airports are typically less congested than other airlines' hub airports, which has enabled Southwest to achieve high asset utilization because aircraft can be scheduled to minimize the amount of time

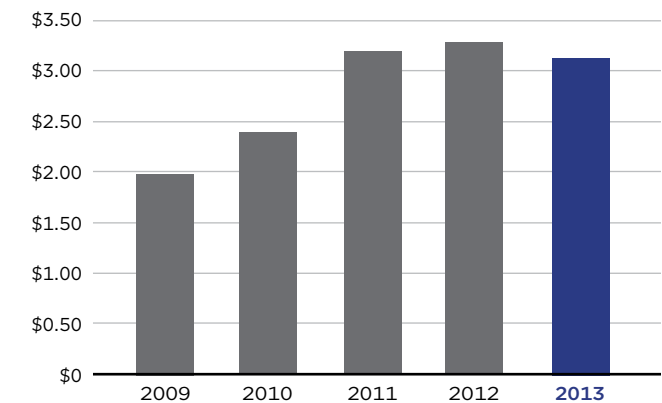
they are on the ground. This, in turn, has reduced the number of aircraft and gate facilities that would otherwise be required and allows for high Employee productivity (headcount per aircraft).

We believe our fleet modernization initiatives, including the continued addition of the larger Boeing -800 to the Southwest fleet, will have a favorable impact on our unit costs. Our efforts to modernize our fleet are discussed in more detail in the [Purpose Fuels Our Strategic Plan](#) feature story.

#### Fuel Costs

In 2013, we again experienced significant Fuel and oil expense as fuel prices, although lower than levels reached in 2012, remained high. For the past nine years, Fuel and oil expense has been among our two highest costs—our largest cost for the past three years. Read more about how our fuel conservation measures save in our largest cost category in [Jet Fuel Conservation](#) in Planet and the [Fuel Initiatives](#) feature story.

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



We enter into fuel derivative contracts to manage our risk associated with catastrophic fuel prices. With the possibility of energy prices fluctuating significantly in a relatively short amount of time, we continually monitor and adjust our fuel hedge portfolio to address fuel price volatility and counterparty collateral requirements. In addition, we must manage the cost of hedging with a blend of hedging instruments. Our fuel hedging activities are discussed further in our 2013 U.S. Securities and Exchange Commission Form 10-K, available at <http://southwest.investorroom.com/sec-filings>.

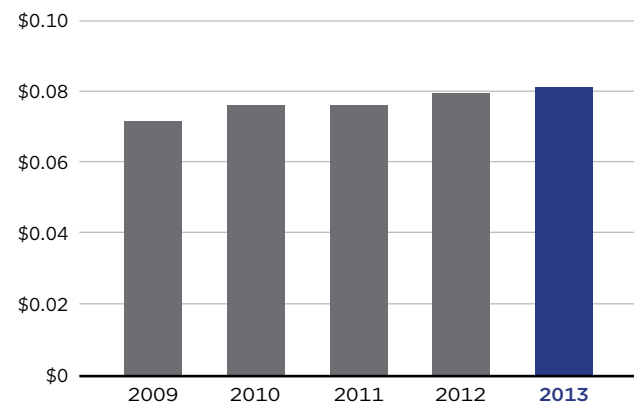
#### Non-Fuel Costs

Based on our strong 2013 results, we were able to contribute a record \$228 million to the ProfitSharing Plan, which was \$107 million higher than 2012's contribution. Operating expenses excluding fuel, special items, and profitsharing increased \$303 million, or 1.3 percent on a unit basis, compared to 2012. This modest year-over-year unit cost increase is a testament to the ongoing benefit from our fleet modernization efforts and our rigorous cost control efforts across the Company, including cuts made in overhead spending for the year. As we complete the AirTran integration, we believe we have further opportunities to improve operational efficiencies and general and administrative costs.

#### FINANCIAL POSITION ▼

Overall, we remain pleased with our strong financial position and a balanced capital structure that supports an investment-grade rating and our focus on enhancing Shareholder value.

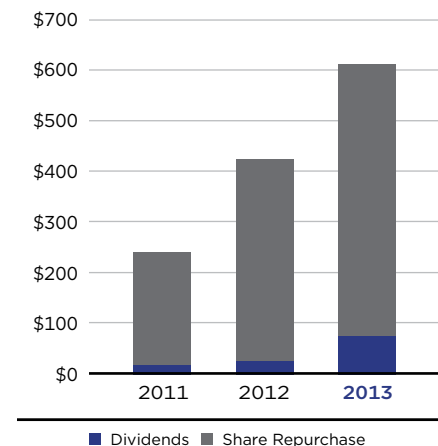
#### Costs Excluding Fuel and Special Items<sup>g</sup> (per ASM)



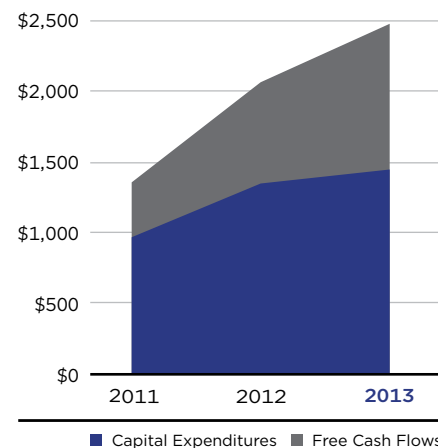
We ended 2013 with \$3.2 billion in cash and short-term investments. Our 2013 cash flow from operations was \$2.48 billion, and our capital expenditures were \$1.45 billion, resulting in very strong free cash flow<sup>g</sup> for the year of \$1.03 billion. We made \$313 million of debt and capital lease payments in 2013, and our leverage,<sup>18</sup> including off-balance-sheet aircraft leases, was approximately 38 percent at yearend.

During 2013, we returned \$611 million to our Shareholders through repurchasing \$540 million of common stock (38 million shares) and distributing \$71 million in dividends. Since August 2011, we have returned more than \$1.2 billion to Shareholders through our share repurchases and dividends. At Dec. 31, 2013, we had \$335 million remaining under our existing \$1.5 billion share repurchase authorization, which we announced our intent to complete in 2014.

#### Annual Return of Capital (in millions)



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





# TEN-YEAR SUMMARY



This ten-year summary offers a historical look at our Performance over the past decade, as measured through the consolidated financials, ratios, and operating statistics shown.

## TEN-YEAR SUMMARY

(selected consolidated financial data, GAAP)

(dollars in millions, except per share amounts)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating revenues:										
Passenger	\$ 16,721	\$16,093	\$14,754	\$ 11,489	\$ 9,892	\$10,549	\$ 9,457	\$ 8,750	\$ 7,279	\$6,280
Freight	164	160	139	125	118	145	130	134	133	117
Other	814	835	765	490	340	329	274	202	172	133
Total operating revenues	17,699	17,088	15,658	12,104	10,350	11,023	9,861	9,086	7,584	6,530
Operating expenses	16,421	16,465	14,965	11,116	10,088	10,574	9,070	8,152	6,859	6,126
Operating income	1,278	623	693	988	262	449	791	934	725	404
Other expenses (income), net	69	(62)	370	243	98	171	(267)	144	(54)	65
Income before income taxes	1,209	685	323	745	164	278	1,058	790	779	339
Provision for income taxes	455	264	145	286	65	100	413	291	295	124
Net income	\$ 754	\$ 421	\$ 178	\$ 459	\$ 99	\$ 178	\$ 645	\$ 499	\$ 484	\$ 215
Net income per share, basic	\$ 1.06	\$ .56	\$ .23	\$ .62	\$ .13	\$ .24	\$ .85	\$ .63	\$ .61	\$ .27
Net income per share, diluted	\$ 1.05	\$ .56	\$ .23	\$ .61	\$ .13	\$ .24	\$ .84	\$ .61	\$ .60	\$ .27
Cash dividends per common share	\$ .1300	\$ .0345	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180	\$ .0180
Total assets	\$19,345	\$18,596	\$18,068	\$15,463	\$14,269	\$14,068	\$ 16,772	\$13,460	\$14,003	\$ 11,137
Long-term debt less current maturities	\$ 2,191	\$ 2,883	\$ 3,107	\$ 2,875	\$ 3,325	\$ 3,498	\$ 2,050	\$ 1,567	\$ 1,394	\$1,700
Stockholders' equity	\$ 7,336	\$ 6,992	\$ 6,877	\$ 6,237	\$ 5,454	\$ 4,953	\$ 6,941	\$ 6,449	\$ 6,675	\$5,527
<b>Consolidated Financial Ratios</b>										
Return on average total assets	4.0%	2.3%	1.1%	3.1%	0.7%	1.2%	4.3%	3.6%	3.9%	2.1%
Return on average Stockholders' equity	10.5%	6.1%	2.7%	7.9%	1.9%	3.0%	9.6%	7.6%	7.9%	4.1%
Operating margin	7.2%	3.6%	4.4%	8.2%	2.5%	4.1%	8.0%	10.3%	9.6%	6.2%
Net margin	4.3%	2.5%	1.1%	3.8%	1.0%	1.6%	6.5%	5.5%	6.4%	3.3%

## TEN-YEAR SUMMARY (continued)

(selected consolidated financial data, GAAP)

(dollars in millions, except per share amounts)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Consolidated Operating Statistics</b>										
Revenue Passengers carried	108,075,976	109,346,509	103,973,759	88,191,322	86,310,229	88,529,234	88,713,472	83,814,823	77,693,875	70,902,773
Enplaned Passengers	133,155,030	133,978,100	127,551,012	106,227,521	101,338,228	101,920,598	101,910,809	96,276,907	88,379,900	81,066,038
RPMs (000s)	104,348,216	102,874,979	97,582,530	78,046,967	74,456,710	73,491,687	72,318,812	67,691,289	60,223,100	53,418,353
ASMs (000s)	130,344,072	128,137,110	120,578,736	98,437,092	98,001,550	103,271,343	99,635,967	92,663,023	85,172,795	76,861,296
Passenger load factor	80.1%	80.3%	80.9%	79.3%	76.0%	71.2%	72.6%	73.1%	70.7%	69.5%
Average length of Passenger haul (miles)	966	941	939	885	863	830	815	808	775	753
Average stage length (miles)	703	693	679	648	639	636	629	622	607	576
Aircraft utilization (hours and minutes per day)	10:45	10:55	11:10	10:48	10:50	11:36	11:41	11:34	11:25	11:20
Trips flown	1,312,785	1,361,558	1,317,977	1,114,451	1,125,111	1,191,151	1,160,699	1,092,331	1,028,639	981,591
Average Passenger fare	\$154.72	\$ 147.17	\$ 141.90	\$130.27	\$ 114.61	\$ 119.16	\$106.60	\$104.40	\$ 93.68	\$88.57
Passenger revenue yield per RPM	16.02¢	15.64¢	15.12¢	14.72¢	13.29¢	14.35¢	13.08¢	12.93¢	12.09¢	11.76¢
Operating revenue yield per ASM	13.58¢	13.34¢	12.99¢	12.30¢	10.56¢	10.67¢	9.90¢	9.81¢	8.90¢	8.50¢
Operating expenses per ASM	12.60¢	12.85¢	12.41¢	11.29¢	10.29¢	10.24¢	9.10¢	8.80¢	8.05¢	7.97¢
Operating expenses per ASM, excluding fuel	8.18¢	8.07¢	7.73¢	7.61¢	7.19¢	6.64¢	6.40¢	6.34¢	6.34¢	6.54¢
Fuel cost per gallon (average)	\$ 3.16	\$ 3.30	\$ 3.19	\$ 2.51	\$ 2.12	\$ 2.44	\$ 1.80	\$ 1.64	\$ 1.13	\$ 0.92
Fuel consumed, in gallons (millions)	1,818	1,847	1,764	1,437	1,428	1,511	1,489	1,389	1,287	1,201
Active, full-time equivalent Employees at yearend	44,831 <sup>1</sup>	45,861	45,392	34,901	34,726	35,499	34,378	32,664	31,729	31,011
Aircraft at yearend <sup>7</sup>	681	694	698	548	541	537	520	481	445	417



# FINANCIAL MANAGEMENT APPROACH



**We strive to continuously improve our Performance.**

We achieve this by focusing on our Purpose and carrying out our bold, five-year strategic plan, which helps us to fulfill our Vision. We disclose information regarding our financial management approach through our Global Reporting Initiative Disclosures on Management Approach.

Our formula for success is Living and Working the Southwest Way. Living the Southwest Way includes showing our Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude. Working the Southwest Way is focus on Safety, focus on high Customer Service delivery, and focus on low cost. And, it's still working. Southwest is the only U.S. airline that can claim 41 consecutive years of profitability. We've achieved our success without resorting to layoffs or pay cuts. And, Employees' dedication shows—we consistently hold one of the top rankings in Customer Satisfaction<sup>19</sup> and have repeatedly been ranked as one of the World's Most Admired Companies by *FORTUNE*.

We continue our commitment to offer impeccable Customer Service and low fares. And, we achieved an annual profit for our Shareholders. We continued to grow our revenue in 2013 through revenue management and optimization of our route network, while continuing our focus on value-added products such as Business Select and EarlyBird Check-In®.

We will strive to build on our past success as we execute our strategic initiatives to integrate AirTran into Southwest, add Boeing -800s to our fleet as part of our fleet modernization plan, grow our Rapid Rewards® program, and eventually replace our reservation system. We're passionate about achieving and sustaining our 15 percent pre-tax ROIC goal.

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

## CONTRIBUTING TO THE ECONOMIC VITALITY OF OUR COMMUNITIES ▼

Our performance impacts more than our Company. Our low fares stimulate economies in cities where

we fly. Our Servant's Heart allows others to thrive, and our green filter helps protect the planet.

Together, Southwest and AirTran served 96 destinations based on our joint schedules as of yearend 2013. We expect our collective market presence to generate substantial savings for our Customers through the well-known "Southwest Effect" of invigorating competition by reducing fares and stimulating additional Passenger traffic in the cities where we fly. We expect to bring our low fares and Fun-LUVing Attitude to more than 100 million Customers annually.

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

We believe it's our responsibility to protect our planet now and for future generations, so we operate with a green filter—a mindset of making environmentally responsible decisions. As good environmental stewards, we recycle onboard and in airports. We are working to improve energy and water conservation and extend our use of renewable energy at our Headquarters and other facilities. In the air, we're conserving jet fuel, reducing emissions, and using recycled and sustainable materials to furnish our cabins. On the ground, where possible, we're using alternative and highly efficient fuel sources to power our

ground support equipment. Given persistently high jet fuel prices, operating with a green filter is not only good for the environment; it's also good for our bottom line.

## TAKING CARE OF OUR OWN ▼

At Southwest, we believe in treating each other the way we want to be treated. We contribute to the financial wellbeing of our Employees by offering generous 401(k) Company matching contributions and a ProfitSharing Plan. Southwest University provides training and career development to help Employees learn and grow. We also encourage them to support the local charities close to their hearts by rewarding their Volunteer efforts. We take time to celebrate and honor our Employees through our Employee recognition programs, including our annual Volunteers of LUV, President's Award, Winning Spirit Award, Star of the Month, and Kick Tail. By taking care of our Southwest Family and encouraging our Employees to give back and help others, we create a Culture of LUV that ultimately contributes to our financial success. After all, happy Employees equal happy Customers, and happy Customers keep flying Southwest. Read more about how we take care of our own in **Employees** in People.

## CITIZENSHIP AT SOUTHWEST ▼

Financial success is more than achieving fiscal metrics. Our long-term financial success is, in part, dependent on our future successes related to non-financial goals that serve as measures of our ability to align operating costs with the true environmental and social costs of our actions. For more information about these goals, read **Citizenship Goals** in our Social Management Approach: Labor Practices and Decent Work in People.

## APPENDIX

- 1) An RPM is one paying Passenger flown one mile. Also referred to as "traffic," which is a measure of demand for a given period.
- 2) An ASM is one seat (empty or full) flown one mile. Also referred to as "capacity," which is a measure of the space available to carry Passengers in a given period.
- 3) Passenger load factor is RPMs divided by ASMs.
- 4) Passenger revenue yield per RPM is calculated as Passenger revenue divided by RPMs. Also referred to as "yield," this is the average cost paid by a paying Passenger to fly one mile, which is a measure of revenue production and fares.
- 5) Operating revenue yield per ASM is calculated as operating revenue divided by ASMs. Also referred to as "operating unit revenues," this is a measure of operating revenue production based on the total ASMs flown during a particular period.
- 6) Operating expenses per ASM are calculated as operating expenses divided by ASMs. Also referred to as "unit costs" or "cost per available seat mile," this is the average cost to fly an aircraft seat (empty or full) one mile, which is a measure of cost efficiencies.
- 7) Aircraft in the Company's fleet at yearend, less Boeing 717-200s removed from service in preparation for transition out of the fleet. The number of aircraft at yearend 2009 has been updated in the *2013 Southwest Airlines One Report*™ to include aircraft in the Company's fleet that were not in service at yearend.
- 8) Decrease in active, full-time equivalent Employees at yearend is due to attrition and our continued focus on improving operational efficiencies.
- 9) Amounts shown net of profitsharing and taxes (see footnote 11 for explanation of profitsharing on acquisition and integration charges).
- 10) Amounts shown net of profitsharing impact.
- 11) Amounts shown net of profitsharing on acquisition and integration charges incurred through March 31, 2011. Our ProfitSharing Plan was amended during second quarter 2011 to defer the profitsharing impact of acquisition and integration costs incurred from April 1, 2011 through Dec. 31, 2013. The profitsharing impact for this time period will be realized in 2014 and beyond.
- 12) Net adjustment related to presumption that all aircraft in fleet are owned.
- 13) Average invested capital represents a five quarter average of debt, net present value of aircraft leases, and equity.
- 14) Calculated as adjusted operating income, non-GAAP, divided by adjusted average invested capital.
- 15) Includes revenues sourced from [southwest.com](http://southwest.com) and [swabiz.com](http://swabiz.com) (Southwest's business travel reservation web page) for each year presented. For 2011 through 2013, revenues sourced from [airtran.com](http://airtran.com) are also included.
- 16) Includes online travel agencies for AirTran in 2011, 2012, and 2013.
- 17) A "slot" is the right of an air carrier, pursuant to regulations of the Federal Aviation Administration, to operate a takeoff or landing at a specific time at certain airports.
- 18) Leverage is calculated as current and long-term debt (total debt) divided by the sum of total debt and Stockholders' equity, including the impact of the net present value of aircraft operating lease obligations.
- 19) From the 2013 yearend U.S. Department of Transportation Air Travel Consumer Report issued February 2014. Top ranking is for Southwest only. AirTran ranked fifth in the same report.



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

The 2013 Southwest Airlines One Report™ contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on, and include statements about, the Company's estimates, expectations, beliefs, intentions, and strategies for the future, and are not guarantees of future performance. Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, statements related to (i) the Company's strategic plans and initiatives and its related financial and operational opportunities, goals, and expectations; (ii) the Company's expectations with respect to its integration of AirTran, including anticipated integration timeframes and the expected benefits and costs associated with the integration; (iii) the Company's fleet plans, including its fleet modernization plans, and its related financial and operational goals and expectations; (iv) the Company's network plans and related operational and financial plans, goals, and expectations, including its plans and expectations with respect to international operations; and (v) the Company's financial outlook, targets, and projected results of operations. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) fluctuations in demand for the Company's services and the impact of economic conditions, fuel prices, and actions of competitors (including, without limitation, pricing, scheduling, and capacity decisions and consolidation and alliance activities) on the Company's business decisions, plans, and strategies; (ii) the Company's ability to effectively integrate AirTran and realize the expected synergies and other benefits from the acquisition; (iii) the Company's ability to timely and effectively prioritize its strategic initiatives and related expenditures; (iv) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (v) the Company's dependence on third parties with respect to certain of its initiatives, in particular with respect to its fleet plans; (vi) the impact of governmental regulation and other actions on the Company's operations; (vii) changes in fuel prices, the impact of hedge accounting, and any changes to the Company's fuel hedging strategies and positions; and (viii) other factors, as described in the Company's filings with the Securities and Exchange Commission, including the detailed factors discussed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

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

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These GAAP financial statements include (i) unrealized non-cash adjustments and reclassifications, which can be significant, as a result of accounting requirements and elections made under accounting pronouncements relating to derivative instruments and hedging and (ii) other charges the Company believes are not indicative of its ongoing operational performance.

As a result, the Company also provides financial information in this report that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides supplemental non-GAAP financial information, including results that it refers to as "economic," which the Company's management utilizes to evaluate its ongoing financial performance and the Company believes provides greater transparency to investors as supplemental information to its GAAP results. The Company's economic financial results differ from GAAP results in that they only include the actual cash settlements from fuel hedge contracts—all reflected within Fuel and oil expense in the period of settlement. Thus, Fuel and oil expense on an economic basis reflects the Company's actual net cash outlays for fuel during the applicable period, inclusive of settled fuel derivative contracts. Any net premium costs paid related to option contracts are reflected as a component of Other (gains) losses, net, for both GAAP and non-GAAP (including economic) purposes in the period of contract settlement. The Company believes these economic results provide a better measure of the impact of the Company's fuel hedges on its operating performance and liquidity since they exclude the unrealized, non-cash adjustments and reclassifications that are recorded in GAAP results in accordance with accounting guidance relating to derivative instruments, and they reflect all cash settlements related to fuel derivative contracts within Fuel and oil expense. This enables the Company's management, as well as investors, to consistently assess the Company's operating performance on a year-over-year or quarter-over-quarter basis after considering all efforts in place to manage fuel expense. However, because these measures are not determined in accordance with GAAP, such measures are susceptible to varying calculations and not all companies calculate the measures in the same manner. As a result, the aforementioned measures, as presented, may not be directly comparable to similarly titled measures presented by other companies.

Further information on (i) the Company's fuel hedging program, (ii) the requirements of accounting for derivative instruments, and (iii) the causes of hedge ineffectiveness and/or mark-to-market gains or losses from derivative instruments is included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

In addition to its "economic" financial measures, as defined above, the Company has also provided other non-GAAP financial measures, including results that it refers to as "excluding special items," as a result of items that the Company believes are not indicative of its ongoing operations. These include 1) expenses associated with the Company's acquisition and integration of AirTran; 2) a 2011 charge (before the impact of profitsharing and/or taxes) for an asset impairment related to the Company's decision not to equip its Classic (-300/-500) aircraft with Required Navigation Performance (RNP) capabilities; and 3) a one-time third quarter 2009 charge associated with Freedom '09, an early retirement option offered to Employees. The Company believes that evaluation of its financial performance can be enhanced by a presentation of results that exclude the impact of these items in order to evaluate the results on a comparative basis with results in prior periods that do not include such items and as a basis for evaluating operating results in future periods. As a result of the Company's acquisition of AirTran, which closed on May 2, 2011, the Company has incurred and expects to continue to incur substantial charges associated with integration of the two companies. While the Company cannot predict the exact timing or amounts of such charges, it does expect to treat the charges as special items in its future presentation of non-GAAP results.

The Company has also provided free cash flow and pre-tax return on invested capital, excluding special items (ROIC), which are non-GAAP financial measures. The Company believes free cash flow is a meaningful measure because it demonstrates the Company's ability to service its debt, pay dividends, and make investments to enhance Shareholder value. Although free cash flow is commonly used as a measure of liquidity, definitions of free cash flow may differ; therefore, the Company is providing an explanation of its calculation for free cash flow. For the three years ended December 31, 2011, 2012, and 2013, the Company generated \$388, \$716, and \$1,030 million, respectively, in free cash flow, calculated as operating cash flows of \$1,356, \$2,064, and \$2,477 million, respectively, less capital expenditures of \$968, \$1,348, and \$1,447 million, respectively. Free cash flow and operating cash flows for the year ended December 31, 2011, have been updated in the 2013 Southwest Airlines One Report™ to conform to the reclassified amounts reported for 2011 in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The Company believes pre-tax ROIC is a meaningful measure because it quantifies how well the Company generates operating income relative to the capital it has invested in its business. Although ROIC is commonly used as a measure of capital efficiency, definitions of ROIC may differ; therefore, the Company is providing an explanation of its calculation for pre-tax ROIC in the accompanying reconciliation tables.

# People

▷▷ At Southwest Airlines, we have always put People first in the decisions we make about our business.

For 42 years, Southwest has been a People-centric Company that puts a priority on the welfare of our Employees, service to our Customers, and giving back to our communities. We believe in creating a job-secure environment where our Employees have opportunities to grow, live well, and make a positive difference. Our Company exists to serve our Customers, and we work hard to deliver on our Purpose every day and create a Customer Experience that sets us apart. Our focus on service extends to our communities where our Employees give back through volunteerism and donations to the causes that matter most to them. And, as always, it comes from the heart.

IN THIS SECTION:

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[p. 56 Social Management Approach](#)

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■ Southwest Data ■ Southwest and AirTran Combined Data  
— Data not reported in Southwest Airlines One Report™ for specified calendar year.

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

## PEOPLE DATA

	2013	2012	2011	2010	2009
<b>Employees<sup>1</sup></b>					
Active, full-time equivalent Employees at yearend	44,831 <sup>2</sup>	45,861	45,392	34,901	34,726
<b>Employees by Division<sup>1,3,4</sup></b>					
Flight	19,003; 42%	19,210; 42%	19,271; 42%	14,810; 42%	15,066; 44%
Tech Operations (Maintenance)	2,689; 6%	2,626; 6%	2,532; 6%	2,057; 6%	2,104; 6%
Ground, Customer, and Fleet Services	15,464; 35%	16,093; 35%	15,483; 34%	11,942; 34%	11,543; 33%
Management, Accounting, Marketing, clerical personnel (other)	7,675; 17%	7,932; 17%	8,106; 18%	6,092; 18%	6,013; 17%
<b>Benefits</b>					
Active and inactive Employees who participate in benefits program	More than 48,000	More than 48,000	More than 40,000	More than 35,000	More than 35,000
Contributions to Employee benefit programs excluding 401(k) and ProfitSharing plans (accrued) <sup>5</sup>	More than \$830 million	More than \$800 million	More than \$670 million	More than \$590 million	More than \$620 million <sup>6</sup>
401(k) savings plan participation	Nearly 89%	Nearly 85%	93%	86.5%	—
ProfitSharing Plan participation	All eligible Employees	All eligible Employees	All eligible Employees	All eligible Employees	—
Contributions to 401(k) and ProfitSharing plans	Nearly \$500 million	More than \$370 million	Nearly \$314 million	Nearly \$350 million	Nearly \$203 million
<b>Training</b>					
Pilot hours	193,644	300,496	165,000	219,440	199,500
Flight Attendant hours	115,900	177,500	272,394	112,116	109,450
Tech Operations (Maintenance) hours	145,069	159,000	88,754	59,004	81,633
Customer Support and Services hours	57,769	175,278	245,179	125,833	106,480
Ground Operations hours	911,358	439,635	342,946	253,574	224,779
Safety and Security hours	More than 580,000	More than 520,000	More than 550,000	More than 230,000	—



■ Southwest Data ■ Southwest and AirTran Combined Data  
— Data not reported in Southwest Airlines One Report™ for specified calendar year.

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

## PEOPLE DATA (continued)

	2013	2012	2011	2010	2009
<b>Customers</b>					
U.S. Department of Transportation (DOT) Customer Satisfaction rating (consumer complaints per 100,000 enplanements)	0.34	0.25	0.32	0.27	0.21
External Customer commendations	Nearly 70,000	Nearly 65,000	More than 65,000	More than 65,000	More than 50,000
Ratio of external Customer commendations to personnel rudeness complaints	Nearly 5:1	Nearly 7:1	Nearly 8:1	Nearly 10:1	9:1
American Customer Satisfaction Index (ACSI)	81	77	81	79	81
Percentage of reported flight operations arriving ontime	76.7	83.1	81.3	79.5	83.0
Number of mishandled bags reported per 1,000 Passengers	3.72	3.08	3.65	3.47	3.43
Passengers denied boarding per 10,000 Passengers	1.06	0.84	0.65	1.24	1.29
Number of incidents involving the loss, injury, or death of animals during transport	0	0	0	0	0
<b>Communities</b>					
Donation requests received systemwide	17,941	19,053	17,057	16,678	14,968
Tickets donated	44,019	44,559	40,807	29,664	25,663
Total monetary donations	\$ 2,034,431	\$ 2,104,871	\$ 1,814,077	\$ 934,807	\$ 554,140
Total corporate monetary, in-kind, and ticket donations	\$18,951,092	\$20,273,621	\$18,239,850	\$12,974,763	\$10,939,665
Monies raised through official Southwest fundraising efforts	More than \$ 780,000	—	—	—	—
Employee Volunteer hours	More than 144,000	More than 137,000	More than 114,000	More than 80,000	More than 45,000
Value of Employee Volunteer hours <sup>7</sup>	Nearly \$ 3,200,000	—	—	—	—
<b>Social Management Approach</b>					
Employees represented by unions	Approximately 83%	Approximately 83%	Approximately 82%	Approximately 82%	—
Employee human rights training hours	More than 20,000	More than 17,000	More than 3,700	More than 5,000	—
Employees trained on human rights	6.7%	20.5%	10.1%	10.7%	—
Employees and business associates who acknowledged the code of ethics	More than 46,500	More than 46,000	More than 43,000	More than 37,000	—

# EMPLOYEES



**Benefits | 41**



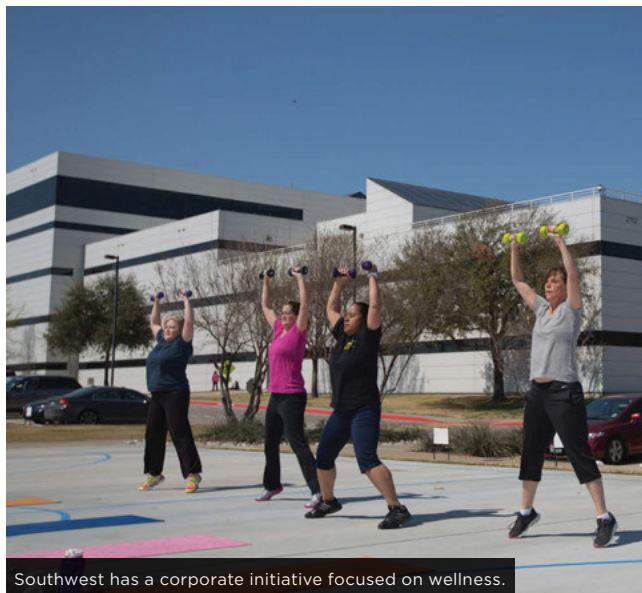
**Training | 42**



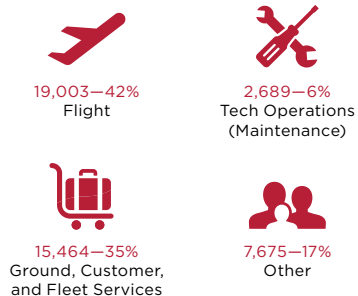
**Engagement and Recognition | 43**

**Our People are our greatest strength and competitive advantage.**

At Southwest, we have always put People first, and we know that we aren't simply flying Passengers from point A to B. We connect People to what's important in their lives. Our dedicated Employees do more than deliver friendly, high-quality Customer Service that turns a Passenger into a loyal Customer; they create innovative programs to increase productivity, generate ideas to trim costs so we can keep fares low, give back to our communities and the planet, and take time to celebrate.



#### Breakdown of Employees by Division<sup>3,8</sup>



#### BENEFITS ▼

We are proud that in 2013 more than 48,000 active and inactive Employees<sup>9</sup> participated in at least one component of Southwest's Employee benefits program, to which we contributed more than \$830 million on an accrual basis, excluding 401(k) and ProfitSharing plans and share-based compensation.

In 2013, in addition to vacation, paid holidays, and sick leave, we offered our full-time and part-time Southwest and AirTran Employees the following:<sup>10</sup>

- 401(k) retirement savings plan
- ProfitSharing Plan
- Medical and prescription coverage
- Mental health chemical dependency coverage
- Vision coverage
- Dental coverage
- Adoption assistance
- Mental health Employee assistance program
- Life insurance
- Accidental death and dismemberment insurance
- Long-term disability insurance
- Dependent life insurance
- Dependent care flexible spending account
- Health care flexible spending account
- Employee stock purchase plan
- Wellness program
- Flight privileges
- Health care for committed partners
- Early retiree health care

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

- Pre-tax commuter benefit program
- Health savings account
- Auto/home insurance
- Pet insurance
- Supplemental hospital insurance
- Flex time for qualifying positions

#### Wellness Program

We are committed to providing a work environment with access to tools and resources to help Employees live a happy and healthy life. In 2012, we announced a new corporate initiative focused on wellness. During 2013, wellness offerings expanded to include tobacco cessation and weight management programs along with fitness and nutrition challenges.

#### Retirement Planning<sup>9,10</sup>

We are happy to do our part to contribute to the retirement savings of our Employees through multiple tax-qualified savings plans. In 2013 alone, we contributed nearly \$500 million to retirement savings through 401(k) Company matching contributions and Company contributions to Southwest's ProfitSharing Plan.

We have tremendous participation in our 401(k) plans, with nearly 89 percent of eligible Employees participating in 2013 compared to the national average of 80.7 percent.<sup>11</sup> Since the inception of our 401(k) plans in the early 1990s, Southwest has contributed more than \$2.5 billion to these plans, including nearly \$270 million in 2013 to match the funds Employees contributed to their 401(k) accounts.

All eligible Southwest and AirTran Employees participate in our ProfitSharing Plan, and in 2013, Southwest contributed \$228 million, up 88 percent, or \$107 million compared to 2012—a contribution equal to nearly 6.3 percent of each eligible Employee's compensation.



### 2013 Operational Employee Training Hours<sup>9</sup>



193,644  
Pilots



115,900  
Flight  
Attendants



145,069  
Tech Operations  
(Maintenance)



57,769  
Customer Support  
and Services



911,358  
Ground  
Operations

## ▷▷ Southwest offers Employees the freedom to learn and grow.

### TRAINING ▼

At Southwest, training and continued education provide Employees with valuable knowledge to perform their duties well and the power to advance their careers. We provide internal training programs and encourage Employees to attend external training to further specialize in their respective fields.

We are committed to and prioritize compliance with the training requirements of the appropriate governing organizations such as the Federal Aviation Administration, U.S. Department of Transportation (DOT), U.S. Department of Homeland Security, Occupational Safety and Health Administration, U.S. Environmental Protection Agency, U.S. Food and Drug Administration, Equal Employment

Opportunity Commission, and the Office of Federal Contract Compliance Programs. We also offer a variety of additional training opportunities to our Employees. These opportunities for continued development include programs focused on Living and Leading the Southwest Way.



Over-water Inflight training classes take place under the new Southwest Airlines University department.

### Safety and Security Training and Outreach

The Safety and Security of our Customers and our Employees is our top priority, which is why it is a part of everything we do both on the ground and in the air through training, communication campaigns, and education. We have a comprehensive approach to Safety and Security training and are committed to fostering a Culture of Safety. In 2013, we began centralizing the Safety and Security Department to implement a consistent vision, enable all workgroups to share Safety and Security policies and procedures, and strengthen our risk management and assurance programs. We proactively identify workplace and operational risks

and then deal with these issues before they become injuries, accidents, or incidents. In 2013, Southwest and AirTran Employees participated in more than 580,000 hours of Safety and Security training.

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

- Inflight
- Flight Operations
- Tech Operations (Maintenance)
- Ground Operations
- Provisioning
- Operations Coordination Center (Dispatch)

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

### Training Department

We continuously seek ways to enhance the training opportunities that we offer our Employees. In 2013, we assessed and analyzed the quality and consistency of Employee training and were able to leverage best practices and maximize resources to create a better learning experience for all Employees. In 2013, our new Training Department led to added efficiencies, including an increase in learning hours from 1 million to 1.2 million.

### Southwest Airlines University

In 2013, we consolidated our Training and Learning departments into one integrated, cost-effective department, Southwest Airlines University (SWA U). The new SWA U consolidates most operational training groups and the former University for People together under one banner to provide greater opportunity for learning and personal growth. Flight Operations and Operations Coordination Center Training remain in their respective operational departments.

SWA U provides all instructional design, coordination, classroom facilitation, hands-on training, eLearning, and learning reporting. SWA U will also continue support of our Talent and Leadership development programs. This enhancement allows us to highlight the investment we make in our People and continue to equip them with the knowledge and tools to do their jobs to the best of their ability.

### Environmental and Sustainability Training

Our commitment to protecting our planet is integral to our operations, so we include the topics of environmental stewardship and sustainability in our Employee training. At and above our Supervisor level, we have enhanced Leadership courses to include sustainability content. In these courses, we discuss sustainability, our fuel usage and its impact on our greenhouse gas emissions and climate change, our initiatives to decrease emissions,



We equip our People with the knowledge and tools to do their jobs to the best of their ability.

and our recycling programs. We also require annual environmental training for all operational groups. Topics covered include storm water pollution protection, proper waste disposal, air permitting compliance, and aircraft drinking water compliance. Through this recurrent training, we teach our Employees about current environmental policies and regulations that must be followed in our operations.

### Diversity and Inclusion Education and Outreach

Southwest has a unique Culture based on respect—recognizing the value of all our Employees, the importance of our communities, and dedicated service to our Customers. Our People are our greatest asset, and it is our goal to support our Employees and our Customers who come from all walks of life. We are a Company of People that is unique by design, and we are all unified by the Purpose of connecting People to what's most important in their lives.

In 2013, our Diversity and Inclusion Department continued the development of a more robust diversity and inclusion education and outreach program through the realignment of the **Diversity Council** and the Diversity Summit, internal and external communication, Leadership accountability, and supplier diversity. At Southwest, we believe the strength of our differences fosters innovation and has contributed to our recognition as one of the world's most admired companies and the most consistently profitable airline in the history of the U.S. airline industry.

### No Limits Internship

Through our award-winning internship program, our interns gain hands-on experience in their particular field and have the opportunity to experience our Fun-LUVing Culture. For more information about our internship program, visit [southwest.com/internships](http://southwest.com/internships).

### ENGAGEMENT AND RECOGNITION ▼

On a daily basis, we encourage our Employees to be compassionate and innovative as they connect People to what's important in their lives through friendly, reliable, and low-cost air travel. As a result, our Employees continue to outperform the competition. This is why we treat our Employees with the same concern, respect, and caring attitude that they provide our Customers.

## ▷▷ At Southwest, we listen to our Employees and recognize their contributions.

### Employee Survey

On a biennial basis we conduct an Employee survey, which allows us to take a collective picture of our entire workforce from several angles. These snapshots let us know how our Employees feel about working at Southwest. Employees' candid feedback is critical because it helps identify areas of strength at Southwest as well as areas where we have an opportunity to work together to improve. We last conducted this 15-dimension Employee survey in 2012 and will administer it again in 2014.

## Employee Recognition Programs

Our Employees are known for Legendary Customer Service, operational excellence, and working efficiently. They go above and beyond each and every day to provide our Customers with the best possible flying experience while focusing on trimming costs so we can offer low fares. Celebrating and recognizing these contributions are an important part of our Culture. We express this gratitude in a variety of ways—from a Coworker saying “great job” to honoring a deserving Employee with the Winning Spirit Award.

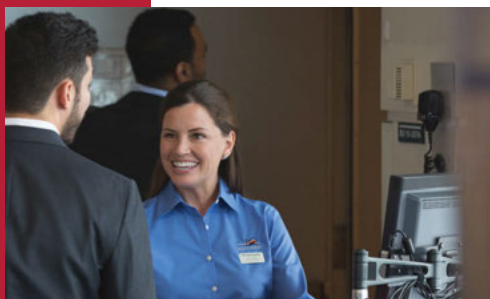
In 2013, we set out to make that recognition even more special. From results of the 2012 Employee survey and through other Employee feedback, we learned that our People want their direct Leaders to recognize them in a meaningful way when they perform well. As a direct result of this feedback, we launched SWAG (Southwest Airlines Gratitude). At Southwest, gratitude is a way of life, so SWAG, as an internal brand, brings it all together for our People. This tool allows each Employee to set up a unique profile where all the recognition they receive is tracked and saved. It gives Employees another way to send recognition to their peers in addition to programs such as LUV Reports and Kick Tails. LUV Reports are a thoughtful, peer-to-peer program that recognizes Employees for going above and beyond. A LUV Report is a great way to recognize a Coworker's hardworking or LUVing efforts. A Kick Tail award is given to an Employee who exhibits Southwest's values through Living the Southwest Way. Some of our recognition and incentive programs, such as Heroes of the Heart, *Spirit* magazine Star of the Month, and the President's Award, award Employees with SWAG points. SWAG points give our Employees the freedom to choose their reward, and the SWAG Shop contains thousands of items for which Employees can redeem their SWAG points to reward themselves in the way they find most meaningful.



Southwest Airlines Gratitude is a program to recognize our Employees in a meaningful way.



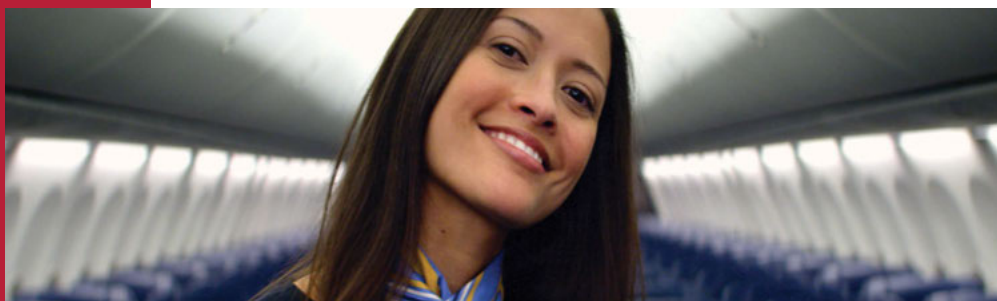
# CUSTOMERS



Customer Experience | 46



Customer Insights | 47



Brand Strength | 48

**In 2013, Southwest once again had the lowest ratio of complaints per Customers boarded of all major U.S. carriers, according to the U.S. DOT's Air Travel Consumer Report.**

We know the importance of Customer satisfaction and a strong brand, and we don't take either one for granted—if it's important to you, it's important to us. Through surveys and industry metrics, we regularly monitor Customer Satisfaction and brand health with the goal to provide the best Customer Experience possible and remain an airline LUVed by our Customers.



## CUSTOMER EXPERIENCE<sup>12</sup> ▼

When we launched our first Southwest flight in 1971, we set out to offer something very different. There were giant competitors, and to get potential Customers to notice, we had to disrupt their thinking about air travel. A new way to fly was born. It was a revolution in commercial aviation. It also was a revolution in how to build a Company—putting People first. The Employees of Southwest Airlines are the secret ingredient in our recipe for success. And it is our People that continually find innovative ways to deliver compassionate, world-class Customer Service.

In the 1990s, we were the first airline to have a web site and sell tickets online, making the flying experience even more accessible. Our People-first approach has transformed what our Customers have come to expect from an airline and LUV about Southwest. We never forget that Southwest exists to serve our Customers. And to serve our Customers we continue to improve our award-winning Customer Experience as we listen to our Customers' needs and respond to lifestyle changes like the advent of personal devices onboard with gate-to-gate WiFi, movies and live TV onboard (courtesy of our partner DISH), and more.

With two goals in mind—continue to improve the Customer Experience and win the hearts of more Customers—we provide amenities that make our Customers' travel experience extraordinary with a personal touch. Our most meaningful connections are those that we make along the way with our Customers. We like to think of ourselves as a Customer Service company that happens to fly airplanes on schedule and with personality and perks along the way, and we pride ourselves on making it both simple and fun to fly Southwest. In 2013, we added exciting new features that continue to make us different than the other guys.



NEW

### TSA Pre-Check<sup>13</sup>

We have joined the Transportation Security Administration's (TSA) expedited screening program, TSA Pre✓™, which allows Customers to leave on their shoes, light outerwear, and belts as well as keep laptops and 3-1-1 compliant liquids in their carryon bags.



NEW

### Gate-to-Gate WiFi

As the first U.S. airline to offer gate-to-gate WiFi, Customers can remain connected from takeoff to landing using personal electronic devices on our Southwest 737-700 and 737-800 aircraft.



NEW

### Mobile

In 2013, we redesigned our Southwest mobile web site and apps for iPhone and Android to improve the Customer Experience on the go. We also launched a pilot program for mobile boarding passes in Austin, Texas, with plans to expand in 2014.



NEW

### Movies and Live TV

Our -700s and -800s feature a wireless, satellite-based network that allows our Customers to connect to the Internet and watch live TV and video on demand on their personal device.



### Bags Fly Free®

We don't believe in charging our Customers for services that should inherently be part of the travel experience, so on Southwest each Customer's first two bags fly free.<sup>14</sup>



### Onboard Experience

Our sleek cabin interiors, *Evolve*, enhance Customer comfort, improve fleet efficiency, and reduce our environmental impact—staying true to our triple bottom line of Performance, People, and Planet.



### Business Select

Our Business Select Customers enjoy the benefits of priority boarding, additional Rapid Rewards® points, priority security checkpoint access, and one complimentary adult beverage coupon.



### Rapid Rewards®

Our Rapid Rewards® frequent flyer program was recognized with a Freddie Award in 2013 for Best Customer Service. Rapid Rewards® connects People to what's important in their lives faster and easier with unlimited reward seats, no blackout dates, and points that don't expire.<sup>15</sup>



### EarlyBird Check-In®

EarlyBird Check-In® is a low-cost option that gives our Customers the convenience of automatic checkin. Our EarlyBird Check-In® Customers enjoy an assigned boarding position that allows them to board their flights sooner, the opportunity to select a preferred seat, and earlier access to overhead bin storage.



### P.A.W.S.

We know that our Customers' pets have a special place in their hearts and deserve a vacation too. That's why small dogs and cats are welcome to fly in the cabin with our Customers. Pets Are Welcome on Southwest!



## ▷▷ We encourage our Customers to tell us about their travel experience.

### CUSTOMER INSIGHTS ▼

We want every Customer to LUV flying Southwest, so we take their feedback to heart. These insights—gathered through social media, formal surveys, industry metrics, and focus groups—helps us improve the Customer Experience.

#### Customer Research

In 2012, we updated our Customer Experience survey and dashboard to help us understand our Customers' travel experience with Southwest. A daily survey is sent to many Customers the day after their flight and asks them to rate their satisfaction at each point of the travel experience from checkin through TSA screening to the gate area and, finally, arrival. The survey also asks the

likelihood to recommend Southwest to friends, family, or colleagues, giving us our Net Promoter Score (NPS).

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

#### American Customer Satisfaction Index

A third-party scoring entity, the American Customer Satisfaction Index (ACSI), measures the satisfaction of customers across the U.S. economy. The ACSI reports scores on a 0-100 scale and produces indexes for ten economic sectors, 47 industries, more than 225 companies, and more than 200 federal and local government services. The ACSI also produces scores for the causes and consequences of customer satisfaction and their relationships. According to the ACSI, in 2013 our score improved more than 5 percent to 81, and we continued to maintain one of the highest customer satisfaction ratings among domestic airlines.

#### U.S. Department of Transportation Performance Metrics

Like our domestic passenger airline counterparts, we file monthly reports with the U.S. DOT Bureau of Transportation Statistics and other DOT departments regarding a number of performance statistics from our operations. This includes information regarding number of Passengers flown, fuel consumed, and baggage fees. It also includes information regarding Southwest operations as they relate

to the Customer Experience. These results help us to track our performance compared to other airlines and past performance for continuous improvement.

There are many factors that can impact performance numbers, including several outside of our direct control such as weather and air traffic control practices. While it is tempting to only identify those statistics that reflect more positively on our operation, we strive to increase our transparency and establish consistency with the information available to our Stakeholders.

#### Customer Satisfaction<sup>16</sup> (consumer complaints per 100,000 enplanements)

<b>Southwest Airlines</b>	<b>0.34</b>	1 person icon
Alaska Airlines	0.44	2 people icons
Delta Airlines	0.59	3 people icons
JetBlue Airlines	0.63	4 people icons
<b>AirTran Airways</b>	<b>0.73</b>	5 people icons
SkyWest Airlines	0.80	6 people icons
Mesa Airlines	0.85	7 people icons
Endeavor Air	0.86	8 people icons
ExpressJet Airlines	0.96	9 people icons
Hawaiian Airlines	1.06	10 people icons
Virgin America	1.28	12 people icons
US Airways	1.42	14 people icons
American Eagle Airlines	1.70	17 people icons
American Airlines	1.99	20 people icons
United Airlines	2.14	22 people icons
Frontier Airlines	3.09	31 people icons

## Comparison of 2013 and 2012 Performance Results

(compiled in the U.S. DOT Air Travel Consumer Report for specified calendar year)

	2013	2012
Consumer complaints per 100,000 enplanements	0.34 <sup>17</sup>	0.25 <sup>18</sup>
Percentage of reported flight operations arriving ontime	76.7	83.1
Number of mishandled bags reported per 1,000 Passengers	3.72	3.08
Passengers denied boarding per 10,000 Passengers	1.06	0.84
Number of incidents involving the loss, injury, or death of animals during air transportation	0	0

For further Customer performance metrics, see the U.S. DOT Air Travel Consumer Report issued February 2014.

### Public Relations Research Standards

To more accurately measure how well we are communicating with our Customers, in 2013 we became one of the first companies to adopt the Coalition for Public Relations Research's interim public relations research standards. We're also contributing our experience; our Vice President of Communication and Outreach sits on the customer panel leading this initiative. The first set of standards covers traditional media measurement, digital and social media measurement, communications lifecycle (awareness, knowledge, intent, preference, and advocacy), and return on investment. In 2012, several industry organizations—including the Public Relations Society of America, the International Association for the Measurement and Evaluation of Communication, the Institute for Public Relations, the Global Alliance for Public Relations and Communication Management, the Council of Public Relations Firms, and The Conclave—formed this coalition to develop public relations research standards.

▷▷ In 2013, our award-winning brand ranked among the top ten *FORTUNE* World's Most Admired Companies.

### BRAND STRENGTH ▼

Southwest is proud of our strong brand and the recognition that it receives. We understand this is a legacy developed through years of friendly Customer Service, low fares, and freedom from unnecessary fees. To make sure we continue this legacy, we measure our brand strength regularly through a number of ways including a biennial online survey of a national sample of airline fliers from our key markets to compare Southwest to our competition on many key attributes. In addition, we maintain an ongoing pulse of our brand metrics.

### The World's Most Admired Companies

The *FORTUNE* World's Most Admired Companies list is the report card on corporate reputations, a strong measure of brand. In 2013, we ranked seventh among all industries, an increase from our 2012 rank of tenth

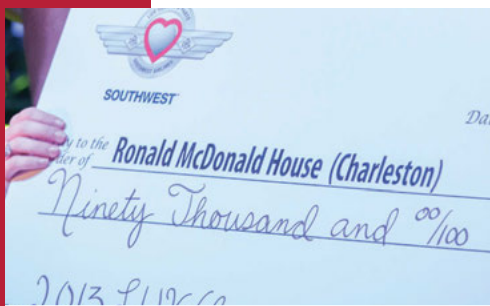
among all industries. To arrive at the top 50 Most Admired Companies overall, the Hay Group asked the 3,800 respondents to select the ten companies they admired most from a list made up of the companies that ranked in the top 25 percent in last year's survey plus those that finished in the top 20 percent of their industry.

### American Brand Excellence Awards

In 2013, The Business Journals named Southwest the top travel-related company in the tenth annual American Brand Excellence Awards. More than 250 business brands were rated and more than 2,200 small- to mid-sized business owners and managers participated in The Business Journals' study. Honored companies were selected based on criteria such as ease of doing business with, industry leadership, forward-thinking, ethical behavior, and value. Southwest ranked fifth among 25 companies honored in 2013.



# COMMUNITIES



Continuing the Legacy | 50



Supporting Others | 51



Leading the Way | 52

In 2013, we gave nearly \$19 million<sup>9</sup> back to our communities through corporate monetary, in-kind, and ticket donations.

Southwest connects People to the important moments in their lives, and we know that these are often centered on a particular group of people or a place with special meaning—their community. We champion the causes that matter to the communities we serve and develop relationships with local and national charitable organizations. Leading with our Servant's Heart, we commit our time, tickets, and LUV to those who need it and encourage our Employees to do the same for the causes they believe in most.





We understand that individuals have the power to make a positive difference. We see it happen every day on our airplanes and in our airports. We are also proud that our Employees carry that out to their communities by volunteering and serving on boards of many charitable organizations. Because of their efforts, in 2013, *Bloomberg Businessweek*—in partnership with civic engagement groups, the National Conference on Citizenship and Points of Light—named Southwest to The Civic 50. This meaningful honor recognized Southwest for demonstrating a strong commitment to corporate civic engagement in our many communities. For additional information about The Civic 50, visit [pointsoflight.org/corporate-institute/corporate-offerings/civic-50](http://pointsoflight.org/corporate-institute/corporate-offerings/civic-50).

## CONTINUING THE LEGACY ▼

At Southwest, we continue our 42-year legacy of supporting organizations and programs that help people build a stronger community. Our dedication to the people we serve naturally extends to the communities we serve, since we live and work there too. Through community outreach we strive to make connections that engage, educate, and inspire.

### 2013 Communities by the Numbers



17,941  
Donation requests received<sup>9</sup>



44,019  
Tickets donated<sup>9</sup>



\$2,034,431  
Southwest total monetary donations<sup>9</sup>



\$18,951,092  
Southwest total corporate monetary, in-kind, and ticket donations<sup>9</sup>



More than 144,000  
Employee Volunteer hours<sup>9</sup>



Nearly \$3,200,000  
Value of Employee Volunteer hours<sup>7,9</sup>



More than \$780,000  
Monies raised through official Southwest fundraising efforts

## ▷▷ At Southwest, giving back comes from the heart.

### College Scholarships

We know how important education is in providing the right tools for our upcoming generation of graduates. So we established the Kelleher-King Scholarship program for our Employees' eligible dependents seeking an undergraduate degree. Annually we award Kelleher-King Scholarships to the top students who illustrate Living the Southwest Way with a Warrior Spirit, Servant's Heart, and Fun-LUVing Attitude. In 2013, we awarded \$56,000 in Kelleher-King Scholarships, including four \$2,500 scholarships, renewals for previous winners, and numerous small scholarships to assist with the purchase of textbooks.

We also annually support the National Merit® Scholarship Program. In 2013, we again made an annual contribution of \$20,000 to the National Merit® Scholarship Program, which offers \$2,500 scholarships to high school students with qualifying Preliminary SAT/National Merit Scholarship Qualifying Test scores.

We LUV to support the education of the next generation of engineers who will be working on Southwest aircraft, so we started the Southwest Airlines Endowed Scholarship Fund at Embry-Riddle Aeronautical University. Each year we award \$2,500 to a female engineering student and bring a group of students to Southwest for a day of networking and learning.

### Adopt-A-Pilot

Just one educational achievement can transform a person's life and ripple through a community in a positive way. In 1997, we established the Adopt-A-Pilot program to give fifth-grade students a new way to view their studies and help seed the importance of reaching for goals. The program engages our Southwest Pilots who

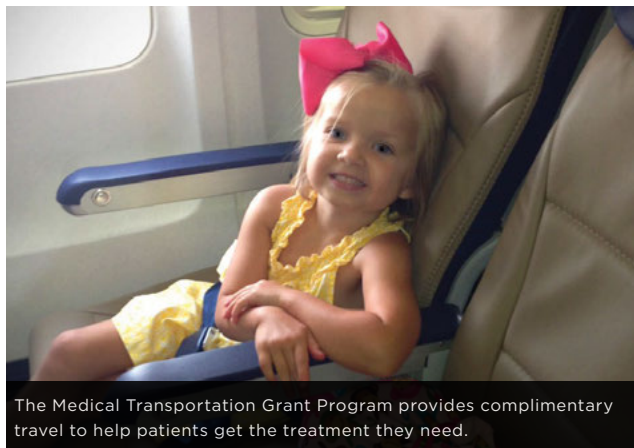
are “adopted” by fifth-grade classes to use a curriculum incorporating science, geography, math, writing, and other core subjects with aviation-related activities to help students research careers, develop life values, and realize the importance of staying in school. To date, we have reached an estimated 450,000 students through the Adopt-A-Pilot program with more than 42,000 students in 2013. For more information about Adopt-A-Pilot, visit [southwest.com/adoptapilot](http://southwest.com/adoptapilot).

### LUV Classic

In 1985, President Emeritus Colleen Barrett started the LUV Classic, a golf tournament benefiting the Ronald McDonald House Charities. Every year since, our Employees organize one of the largest charity golf tournaments and parties in Dallas to raise funds to help families with seriously ill children. Through 28 years of the LUV Classic, we have raised more than \$18 million for 73 Ronald McDonald Houses. In 2013, thanks to the LUV Classic, the Ronald McDonald Houses in Dallas; Memphis, Tenn.; Chapel Hill, N.C.; Charleston, S.C.; Pensacola, Fla.; Greenville-Spartanburg, S.C.; Dayton, Ohio; and San Juan, Puerto Rico received a \$700,000 donation. In addition, our Employees stay actively involved with Ronald McDonald Houses through the year, volunteering regularly to cook and serve dinner to the families, and help put on parties and events. Twice a year, our Employees in nearly every city we serve host dinner in celebration of Southwest's birthday in June and Thanksgiving in November.

### Encouraging Individuals

We recognize that true advancements and change are the results of individual efforts. These efforts may be the result of a single person's actions or of a collective group with a common interest. In recognition of this, we actively celebrate diverse viewpoints and support our Customers and Employees in their pursuit of positively impacting their own communities through our outreach programs



such as African American Outreach ([southwest.com/africanamericanoutreach](http://southwest.com/africanamericanoutreach)), Asian American Outreach ([southwest.com/asianoutreach](http://southwest.com/asianoutreach)), LGBT Outreach ([southwest.com/lgbtoutreach](http://southwest.com/lgbtoutreach)), and Hispanic Outreach ([southwest.com/hispanicoutreach](http://southwest.com/hispanicoutreach)).

### SUPPORTING OTHERS ▼

At Southwest, supporting others is a hallmark of our Culture. We treat one another as family and understand that our communities affect our family. So since we first took flight, we have worked with charitable organizations large and small to support them in making a profound and lasting impact in our communities.

#### Medical Transportation Grant Program

Through the Southwest Medical Transportation Grant Program (MTGP), we provide complimentary, roundtrip tickets to nonprofit hospitals and medical transportation organizations to assist families who are facing serious illnesses get the treatment that they need when it is located in another city. Participating nonprofit hospitals

and medical transportation organizations determine how to distribute the tickets to patients and/or caregivers. In 2013, we provided \$2.8 million in free transportation to 93 hospitals and organizations nationwide in hopes of providing some comfort and help to families in great need. To learn more about this program, visit [southwest.com/medicalgrant](http://southwest.com/medicalgrant).

### Military Heroes Month

With more than 6,000 Employees either currently serving in the National Guard or Military Reserves or who are veterans, we are proud to support our men and women in uniform all year long. In honor of these special heroes, we have named November “Military Heroes Month,” as a way to demonstrate our appreciation for those who fight or have fought for our freedom. In our fourth annual Military Heroes Month, we were pleased to highlight many of our year-round partnerships with groups like Honor Flights and Armed Forces Foundation as well as tell the stories of some of our own Southwest heroes and their families.

In 2013, *G.I. Jobs* magazine again named Southwest one of the Top 100 Military Friendly Employers® for our efforts to recruit and retain former and current members of our armed services and reserves.

### Community Giving Boards

In addition to the many national organizations that we assist, we understand that each of our communities has their own passions and issues, so we established Community Giving Boards to review the thousands of requests from local organizations that we receive every month. These local Employees who live and work in the same communities can more easily evaluate where best to give. In 2013, these boards evaluated more than 14,000 requests and donated more than \$2.9 million in value to their local organizations.



Southwest provided a three-year grant to fund the Trinity River Conservation Corps to promote volunteerism in Dallas' Trinity River Corridor.

## LEADING THE WAY ▼

Not only do we want to be a good neighbor, we also want to inspire others to do the same by modeling what we believe. So not only do we give back with monetary and in-kind donations, we also encourage volunteerism in our Employees through our biannual systemwide volunteer projects and other unique Southwest community involvement programs inspired by the Servant's Hearts of our Employees.

### Trinity River Conservation

In 2013, with the Trinity Trust Foundation and the City of Dallas, we announced a three-year \$150,000 grant for the creation of the Trinity River Conservation Corps to manage and fund volunteer events to clean and conserve Dallas' Trinity River Corridor. The Trinity River Corridor Project is the largest urban development project undertaken by the City of Dallas. Not only does the

project prevent flooding, but it also helps maintain and improve the environment and biodiversity around the Trinity River Corridor. With the announcement of the grant, more than 125 Employees,<sup>8</sup> including our Chief Executive Officer and many other Senior Leaders, went out to spend the day planting new seedlings to assist in the conservation of this area.

### National Geographic BioBlitz

For more than five years, we have supported *National Geographic's* annual BioBlitz, which promotes the biodiversity of our national parks in the decade leading up to the U.S. National Park Service centennial in 2016. At this 24-hour event, held at a different national park each year, hundreds of volunteers, including many Southwest and AirTran Employees, work together to identify as many species of plants, animals, microbes, fungi, and other organisms as possible.

### Tickets for Time

The Tickets for Time program began in 2010 and continues to grow as more of our Employees take advantage of this great tool to give back to the organizations where they volunteer and share their passion. For every 40 hours one or more of our Employees volunteer for a nonprofit organization, the benefiting organization is eligible to receive one complimentary, roundtrip ticket on Southwest, and that organization is eligible for up to six tickets in a calendar year. In 2013, our Employee Volunteers generated more than 2,100 roundtrip tickets for charitable organizations nationwide through the Tickets for Time program.

### Nationwide Volunteerism Campaigns

We know what a remarkable difference our Employees can make, so we encourage volunteerism by offering multiple opportunities for them to share their Servant's Heart. For National Volunteer Week, we partnered with the Student Conservation Association, the National Wildlife Refuge Association, and other environmental nonprofit organizations to celebrate our planet through hands-on conservation projects in 52 cities across the nation. Our Southwest and AirTran Employees volunteered more than 1,750 hours on this initiative.

In August, the morning of our Spirit Party, our version of a company picnic, we gave back to our host city, San Diego, by sending Employees and community members to remove debris at Tecolote Recreation Center before California's fire season. Volunteers pulled weeds, removed non-native plants, painted picnic tables, cleaned up the playground, and more.

To celebrate Servant's Heart Day on Sept. 25, 2013, we partnered with schools close to our airports and, in some locations, teamed with volunteers from other companies. In 45 cities, our Southwest and AirTran Employees volunteered more than 3,150 hours at schools including re-establishing garden areas, painting classrooms and hallways, and increasing the safety of play equipment.



# SUPPLIERS



**We've established strong relationships with our diverse supplier base, and we hold suppliers accountable for their social and environmental performance.**

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





## GREEN PROCUREMENT ▼

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

### Green Procurement

- Suppliers comply with applicable environmental legal requirements and regulations.
- Suppliers have knowledge of the Southwest Environmental Policy, which is now included in our procurement policy.
- Suppliers maintain an open dialogue with Southwest concerning environmental achievements, trends, and possible areas for improvement.

- We ask that our suppliers provide environmental-related data upon request. This includes:
  - Use of recycled materials in the manufacturing and packaging of products.
  - Current and future activities and/or programs to help reduce the environmental impact.
  - Documentation of environmental efforts, achievements, and certifications.
  - Notices of environmental violations from federal, state, and local regulatory agencies.
- Our standard request for information encourages suppliers to consider recycled and recyclable materials when selecting materials and design solutions.
- External audits of regulated waste disposal facilities are performed periodically to validate our waste is managed in compliance with all laws and regulations.

- External audits of under-wing contractors (ramp services provided by a third party) are performed periodically to validate that those services are conducted in compliance with all laws and regulations.
- Southwest will give preference to Forest Stewardship Council-certified paper when purchasing certified paper products.
- Human rights
  - All U.S.-based suppliers comply with federal and state laws regarding child or forced labor.
  - All U.S.-based suppliers comply with federal and state laws regarding freedom of association and collective bargaining.

Our ongoing discussions with suppliers have led to an increasingly greener supply chain.

In 2013, we collaborated with Toshiba to replace our multifunction printer units at our Headquarters, airport operations, and maintenance bases around the country. The new multifunction printer units not only reduce costs and increase our productivity, but they also are eco-friendly and Energy Star-rated. Toshiba allows for 100 percent recycling of collected consumable supplies such as cartridges, drum units, and toner bottles. FedEx, which handles our shipping needs, works to improve the efficiency of its vehicle and aircraft fleets and facilities. Our computer supplier, Dell, provides us with electronics manufactured with at least 10 percent post-consumer recycled plastic in many of their enclosures as well as innovative, sustainable packaging materials, such as bamboo, designed to be easily recycled or composted. Sourcing for our office supplies through Office Depot has helped us green our procurement process by using minimal packaging material and promoting green products. In 2013, 26 percent of the items we sourced through Office Depot had environmental benefits such as recycled or remanufactured content, Energy Star Certification, and/or Forest Stewardship Council-certification. These suppliers' environmental efforts translate to a greener and more efficient supply chain.



## SUPPLIER DIVERSITY ▼

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

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

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

## Southwest Headquarters Master Plan

As a result of the acquisition of AirTran and a consolidation of Headquarters and Maintenance functions, we've embarked on what we're calling the Headquarters Master Plan. This project involves:

- Remodeling and densifying our existing, nearly 1 million-square-foot Headquarters building
- Remodeling our existing, approximately 90,000-square-foot Tech Operations (Maintenance) facility and constructing a 113,000-square-foot expansion
- Constructing a new 500,000-square-foot Training and Operations Support building, which consolidates our learning and training functions and eliminates leased space around the country

To offer diverse suppliers greater opportunity, we make it a priority to have at least one diverse supplier bid on every proposal with respect to the Headquarters Master Plan. As a result, to date we spent more than \$9 million with minority- and/or woman-owned business enterprises for this project. We expect our Headquarters Master Plan to be completed in 2015.

## Love Field Modernization Program

The Love Field Modernization Program (LFMP) grew out of a collaborative effort between Southwest and the City of Dallas to restore the history and update the infrastructure of the Dallas Love Field Airport (DAL). The renovation—which first opened to the public in April 2013 and is expected to be completed in 2014—includes a 20-gate shared concourse, remodeled lobby, new ticketing wing, and expanded baggage claim area. Traffic flow around the airport is also being improved with expanded curbsides and roadways for pickup and drop-off. Through art installations, the modernization of the terminal showcases Dallas' culture and the unique history of the airport. The LFMP also features leading-edge sustainability, as the terminal is being constructed to

achieve LEED (Leadership in Energy and Environmental Design) Silver certification for new construction and major renovations under the U.S. Green Building Council. To bolster minority- and women-owned and disadvantaged business enterprises (M/W/DBE) participation, the City of Dallas established a M/W/DBE program and set a goal of 26 percent M/W/DBE participation. Not only has this challenging goal been achieved, but it was exceeded by more than 10 percent. At yearend 2013, 39 percent of LFMP contracts were with M/W/DBEs.

## International Terminal at Houston Hobby Airport

In September 2013, we broke ground on Southwest's first international terminal—a five-gate terminal with a U.S. customs facility at Houston's William P. Hobby Airport (HOU). When completed in late 2015, the new terminal will allow us to serve near-international markets from four of the five gates. The project is estimated to cost \$156 million, and Southwest has agreed to provide the funding for, as well as management over, the project. For professional services on this project, we are committed to a goal of 25 percent certified small-, minority-, and women-owned business enterprises (SMWBE) participation. For construction services on this project, we are committed to a goal of 25 percent certified minority- and women-owned business enterprises (MWBE) and 3 percent certified small business enterprises (SBE). As of yearend, we are exceeding these goals with 29 percent SMWBE participation in professional services and 31 percent MWBE and 31 percent SBE participation in construction.

# SOCIAL MANAGEMENT APPROACH



We emulate a Culture of LUV for our Stakeholders, treat our Customers like guests in our home, and give back to the communities we serve.

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





## LABOR PRACTICES AND DECENT WORK ▼

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

### Labor and Employment Law Compliance

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

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

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

## Safety and Security

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

## Labor Relations

We are proud of our Southwest Culture and the relationships we build with our Employees. We believe communication, transparency, and consistency are keys to fostering strong, long-term relationships, which is one of the reasons why in 2013 our Senior Vice President of Labor Relations dedicated his time to focus on these relationships and our Employees. With approximately 83 percent of our Employees represented by unions, we strive to maintain stable relationships with these organizations by having open channels of communication and bargaining in good faith in all matters that involve our Employees.

## Diversity and Inclusion

Building an inclusive environment at Southwest has been a part of our history. Inclusion is about the expanded potential of all who are willing to demonstrate their abilities. With inclusion, Employees feel valued and part of the decision-making process. We have many examples throughout our history where individuals have felt



empowered to offer innovative solutions for the Company and our Customers. Some examples of how encouraging an inclusive environment can lead to Employee engagement, higher productivity, workforce retention, openness to thought, and a positive workforce include: our Chief Executive Officer's Message to the Field, coffee talks with Leaders, town halls, the biennial Employee survey, OnBoarding efforts, the Culture Committee, the Diversity Council, and more.

At Southwest, our Vice President of Diversity and Inclusion is responsible for providing Leadership, vision, and advocacy as we continue our work to foster an inclusive work environment. This includes coordination and Leadership of our supplier diversity, diversity recruiting, and training efforts as well as involvement with the Diversity Council on our other Matter of Respect initiatives and awareness efforts. In 2013, our Vice President of Diversity and Inclusion won the Rosa Parks Diversity Leadership Award, exemplifying the significant contributions that we have made promoting diversity and cultural awareness within Southwest.

Southwest scored 90 out of 100 in the Human Rights Campaign's 2014 Corporate Equality Index released in November 2013. This 12th annual report ranks companies based on a survey of 2013 data. The annual Corporate Equality Index serves as a report card for LGBT equality in corporate America and rates more than 700 businesses across the country in categories such as non-discrimination policies and training, benefits, employee support through diversity councils, and marketing and external engagement.

#### Diversity

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

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

#### Diversity Council

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

#### Education and Training

We are dedicated to the continued education and **training** of our Employees and seek ways to enhance Employee education.



#### Citizenship Goals

We continue to work toward prioritizing and establishing goals for selected Employee targets and will work to define protocols for collecting and analyzing operational data related to each of these, so we can use future data to improve and monitor our commitment to the triple bottom line.

#### HUMAN RIGHTS ▼

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

#### Human Trafficking

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

## Employees

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

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

## Suppliers and Business Partners

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

## Training

We conduct training on human rights issues as they relate to harassment, discrimination, or retaliation for all new hires. Human rights training also is available for existing Employees through our *Compliant Leader* training for Leaders and our harassment online learning module. In 2013 alone, our Southwest and AirTran Employees devoted more than 20,000 hours to human rights training, and 6.7 percent of Southwest and AirTran Employees completed the training. We provide guidance for such issues to all Southwest and AirTran Employees through our Guidelines for Employees, which can be found on our intranet, along with our Policy Concerning Harassment, Sexual Harassment, Discrimination, and Retaliation. All Employees are responsible for maintaining a positive working environment—free of discrimination,

harassment, retaliation, and hostile, threatening, or intimidating behavior. We feel that following these policies is simply doing the right thing. Our Policy on Harassment, Sexual Harassment, or Discrimination can be found at <http://southwest.investorroom.com/bylaws-articles-policies>.

## PRODUCT RESPONSIBILITY ▼

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

### Customer Service

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

### Marketing

There is a process in place for our General Counsel Department to review our marketing materials for compliance with applicable regulatory and legal requirements. In 2013, Southwest received one fine from the U.S. DOT related to advertising. In response, the Company implemented additional procedures to verify that the intended number of sale fares are available for purchase. In 2013, the U.S. DOT also issued one fine related to AirTran's advertising.

### Customer Privacy

In 2013, we had no fines for non-compliance with applicable laws and regulations concerning Customer privacy.



## SOCIETY ▼

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

### Community

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

## Avoiding Corruption and Anti-Competitive Behavior

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

## Public Policy

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

We participate in industry associations such as Airlines for America (A4A) and have developed our own public outreach programs such as our Key Contacts Program and Days on the Hill. Our involvement allows us to gain insight into core issues for the airline industry as a whole

and to advocate jointly for regulations that support a healthy, competitive industry. We also benefit from the opportunity to share technical expertise and operational knowledge that leads to better Customer Safety, Service, and overall efficiency.

In 2013, the Company contributed \$800<sup>9</sup> directly to political campaigns at the state or municipal level. No Company funds were used to support political campaigns at the federal level. Also in 2013, A4A, our industry trade association, determined that \$1,102,130<sup>9</sup> of the total dues paid by the Company to A4A were nondeductible lobbying expenses.

## Compliance

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

## APPENDIX

- 1) Based on active, full-time equivalent Employees as of Dec. 31 for specified calendar year.
- 2) Decrease in active, full-time equivalent Employees at yearend is due to attrition and our continued focus on improving operational efficiencies.
- 3) Flight includes Cabin Service Support, Inflight, and Flight Operations. Ground, Customer, and Fleet Services includes Provisioning, Customer Services, Ground Operations, and Operations Coordination Center.
- 4) 2012, 2011, 2010, and 2009 Employees by division metrics updated from reported numbers in the 2012 Southwest Airlines One Report™ based on a reorganization of our Employee divisions in 2013.
- 5) Includes Southwest's contributions to Employee health and welfare plans, workers' compensation insurance, and employer payroll taxes.
- 6) Contribution to Employee benefits program excluding 401(k) and ProfitSharing plans (accrued) for the year ended Dec. 31, 2009, has been updated in the 2013 Southwest Airlines One Report™ to align with the Company's previous disclosure of its 2010, 2011, and 2012 contributions.
- 7) Based on Independent Sector's estimated value of a volunteer hour, \$22.14 in 2012. For more information, visit [http://independentsector.org/volunteer\\_time](http://independentsector.org/volunteer_time).
- 8) Based on active, full-time equivalent Southwest and AirTran Employees as of Dec. 31, 2013.
- 9) Includes AirTran data for calendar year 2013.
- 10) Southwest does not offer defined benefit plans.
- 11) Based on the Plan Sponsor Council of America 2012 survey results.
- 12) For more information about Southwest's travel amenities please visit [southwest.com/html/air/products](http://southwest.com/html/air/products).
- 13) For a list of eligible participants please visit [southwest.com/html/customer-service/airport-experience/tsaprecheck.html](http://southwest.com/html/customer-service/airport-experience/tsaprecheck.html).
- 14) First and second checked bags. Baggage weight and size limits apply.
- 15) Applies to points transactions. Points don't expire as long as Member has flight or partner earning activity every 24 months.
- 16) From the 2013 yearend U.S. DOT Air Travel Consumer Report issued February 2014.
- 17) Leading U.S. DOT Customer Satisfaction ranking out of 16 airlines evaluated in 2013.
- 18) Leading U.S. DOT Customer Satisfaction ranking out of 15 airlines evaluated in 2012.



Days on the Hill brings Southwest Key Contacts to Washington, D.C., for public outreach with elected officials.



# Planet



▷▷ We were built on efficiency. It's the foundation of our environmental commitment and key to our success and the sustainability of Southwest Airlines.

By operating efficiently, we minimize our impact on the environment. Our continued commitment to the responsible use of resources, conservation, and mitigation of our environmental impacts was demonstrated in 2013 by the following accomplishments:

- Decreased absolute greenhouse gas (GHG) emissions due to continued improvements in fuel efficiency
- Reached 20 percent improvement in our jet fuel efficiency on revenue ton miles (RTMs) per gallon basis compared to 2005
- Expanded GHG inventory to include Scope 3 emissions
- Met goal of zero recorded environmental violations resulting in monetary fines in our operations
- Expanded our renewable energy commitments to include a total of more than 50 million kilowatt-hours (kWh) of renewable energy in 2013 and 2014

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

## PLANET DATA

	2013	2012	2011	2010	2009
<b>Environmental Impacts</b>					
Total energy consumption (megawatt-hours (MWh))	70,465,138	71,571,555	68,368,969	55,709,783	—
Intensity ratio (MWh/1,000 revenue ton miles (RTMs))	6.67	6.87	6.93	7.04	—
Jet fuel consumption (gallons)	1.82 billion	1.85 billion	1.76 billion	1.44 billion	1.43 billion
Fuel efficiency (available seat miles (ASMs)/gallon)	71.7	69.4	68.3	68.5	68.6
Natural gas consumption (therms)	1,100,000	801,000	827,000	897,000	—
Intensity ratio (therms/Employee)	25	17	22	26	—
Ground support equipment (GSE) diesel consumption (gallons)	1.51 million	1.79 million	1.78 million	1.75 million	—
GSE gasoline consumption (gallons)	1,013,000	944,000	964,000	698,000	—
Electricity consumption (kilowatt-hours (kWh))	81 million	79 million	71 million	72 million	—
Intensity ratio (kWh/Employee)	More than 1,800	More than 1,700	Nearly 1,900	More than 2,000	—
Water consumption (gallons)	69 million	77 million	79 million	73 million	—
Intensity ratio (gallons/Employee)	More than 1,500	Nearly 1,700	Nearly 2,100	Nearly 2,100	—
<b>Greenhouse Gas Inventory</b>					
<b>Scope 1 and Scope 2 Emissions</b>					
Scope 1 emissions (metric tons of carbon dioxide equivalent (CO <sub>2</sub> e))	17,949,278	18,232,474	17,417,734	13,930,902	13,838,695
Scope 2 emissions (metric tons of CO <sub>2</sub> e)	47,680	46,783	41,829	43,960	49,512
Total Scope 1 and Scope 2 GHG emissions (metric tons of CO <sub>2</sub> e)	17,996,958	18,279,257	17,459,563	13,974,862	13,888,207
Production activity (revenue Passenger miles (RPMs))	104.3 billion	102.9 billion	97.6 billion	78.0 billion	74.5 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RPMs)	0.172	0.178	0.179	0.179	0.187
Production activity (ASMs)	130.3 billion	128.1 billion	120.6 billion	98.4 billion	98.0 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 ASMs)	0.138	0.143	0.145	0.142	0.142
Production activity (RTMs)	10.6 billion	10.4 billion	9.9 billion	7.9 billion	7.6 billion
Intensity ratio (metric tons CO <sub>2</sub> e/1,000 RTMs)	1.70	1.76	1.77	1.77	1.84

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

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

PLANET DATA (continued)	2013	2012	2011	2010	2009
<b>Scope 3 Emissions</b>					
Capital goods—production of aircraft (metric tons CO <sub>2</sub> e)	32,000	—	—	—	—
Waste generated in operations—waste to landfill and burned for energy recovery (metric tons CO <sub>2</sub> e)	5,700	—	—	—	—
Employee commuting—estimate based on survey (metric tons CO <sub>2</sub> e)	188,000	—	—	—	—
<b>Regulatory Compliance</b>					
Number of environmental violations resulting in fines	0	1	0	2	3
Total environmental fines	None	\$1,500	None	\$603	\$3,689
<b>Environmental Conservation</b>					
Total cleaner-burning GSE (pieces of equipment)	More than 1,700	More than 1,500	More than 1,300	Nearly 1,100	More than 1,000
Purchases of renewable energy certificates (kWh)	More than 25 million	More than 15.7 million	More than 15.7 million	More than 15.7 million	More than 15 million
U.S. Environmental Protection Agency's <i>FORTUNE</i> 500 Green Power Partners ranking	39	40	37	32	33
<b>Environmental Management Systems</b>					
Ozone-depleting substances produced or imported	None	None	None	None	None
<b>Waste Management &amp; Recycling</b>					
Recycled co-mingled waste—paper, plastic, aluminum, and cardboard (tons) <sup>1</sup>	More than 2,700	Nearly 2,900	Nearly 2,700	More than 2,500	More than 1,500
Year-over-year change in co-mingled recycling (percent)	Decrease more than 5	Increase more than 7	Increase more than 6	Increase more than 65	—
Recycled industrial waste (tons)	660	632	515	650	—
Energy recovered from industrial waste (British thermal units (Btus))	More than 7.8 billion	More than 8.2 billion	Nearly 5.8 billion	More than 6 billion	5.7 billion
Hazardous waste generated (tons)	15	22	12	16	13
Hazardous waste managed through beneficial use (tons)	11	18	10	15	12
Intensity ratio (pounds of hazardous waste generated/aircraft)	44	63	44	59	49

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

# ENVIRONMENTAL IMPACTS



Energy Use | 65



Water Consumption | 66



Greenhouse Gas Inventory | 66



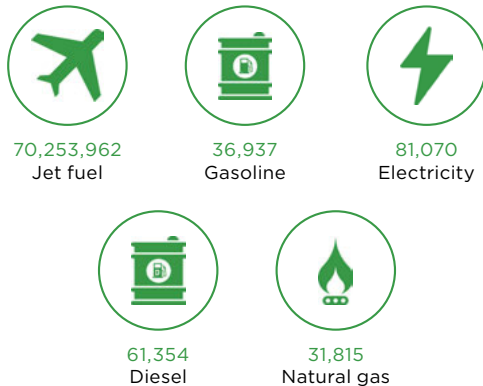
Regulatory Compliance | 68

Collecting and analyzing information on our impacts is key to conserving resources.

Each year, we measure and report our resource and energy consumption in the Southwest Airlines One Report™. In addition, we participate in CDP (formerly the Carbon Disclosure Project) reporting that covers effective management of environmental risks, focusing on GHG emissions and climate change strategies. Reporting through CDP demonstrates our commitment to continuous tracking of our energy and resource use. Setting baselines and tracking usage allows us to evaluate our approach to conservation and determine the best methods to reduce our impact on the planet.



### 2013 Energy Consumption (MWh)<sup>2</sup>



Total:  
70,465,138

### ENERGY USE ▼

We report our energy use in a single, common unit—megawatt-hours (MWh)—for consistency with our CDP response. Converting our consumption of various energy sources to a common unit also allows us to add those numbers together for a single number representing our overall energy use. For 2013, our total energy use was approximately 70 million MWh, compared to approximately 72 million MWh in 2012.

#### Jet Fuel Consumption

Our fuel efficiency continues to improve. By improving our fuel efficiency from 2012 to 2013, we saved nearly 60 million gallons of jet fuel—that's equivalent to approximately 9,900 roundtrip flights between Chicago Midway (MDW) and Las Vegas (LAS).

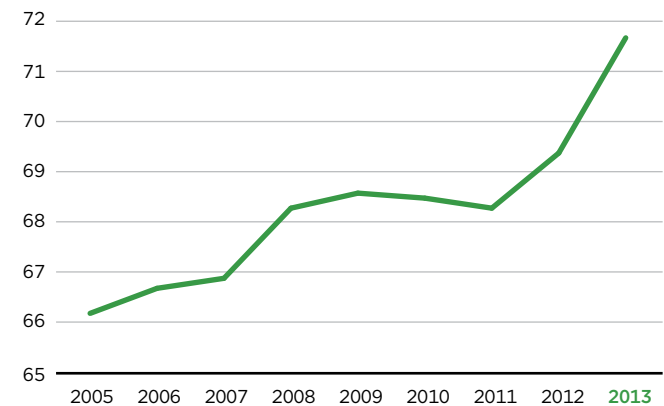
As an airline, jet fuel consumption comprises the vast majority of our resource use. Because we know that understanding our use of this resource is essential to reducing our impact on the planet, we track not only our fuel consumption, but also our fuel efficiency. In 2013, Southwest consumed approximately 1.82 billion gallons of jet fuel, and our fuel efficiency improved to approximately 71.7 available seat miles (ASMs) per gallon.

#### Natural Gas, Diesel, Gasoline, and Other Fuel Consumption

In addition to jet fuel, we consume several other types of fuel. This includes natural gas consumption in offices, hangars, and other facilities controlled by Southwest and fuels used to power ground support equipment (GSE). In 2013, we used approximately 1,100,000 therms of natural gas in 45 Southwest and AirTran controlled facilities. This equates to approximately 25 therms per Employee.<sup>3</sup> This is an increase compared to our 2012 consumption which can be attributed to a much colder winter in some locations as well as an increase in the use of some of our facilities. Our GSE fleet consumed approximately 1.51

million gallons of diesel and approximately 1.01 million gallons of gasoline in 2013. A limited number of GSE also consumed propane, liquid petroleum gas, or compressed natural gas. Due to the limited usage of these fuels, which only account for approximately 2 percent of the GSE fleet, and challenges associated with measuring consumption of these fuels, usage numbers for these fuels are not actively tracked.

#### Historic Jet Fuel Efficiency Improvement (ASMs/gallon)



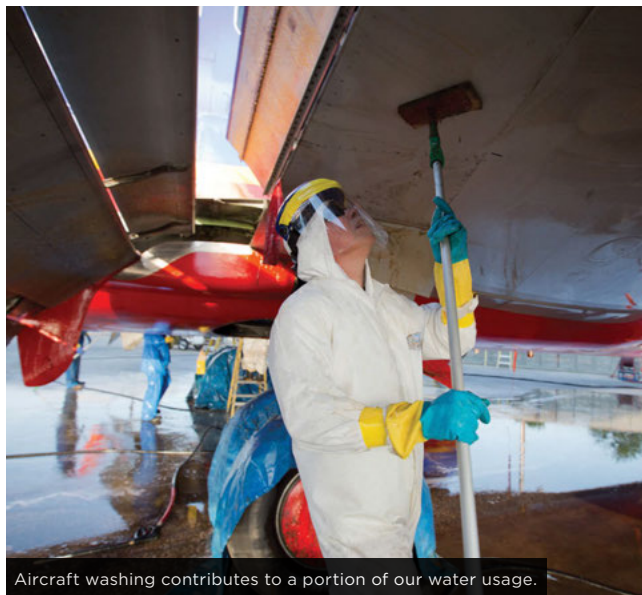
#### Electricity Consumption

Southwest also monitors electricity consumption in facilities where we have primary operational control and pay for these utilities. Our total electricity usage in 2013 at 80 Southwest and AirTran facilities was approximately 81 million kWh. This equates to approximately 1,800 kWh per Employee.<sup>3</sup> Current data limitations do not allow us to track electricity usage as a function of square footage or Employees associated with the specific facilities measured.



## WATER CONSUMPTION ▼

Our total water consumption in 2013 at the 30 facilities where we have data for water usage was approximately 69 million gallons. This equates to approximately 1,500 gallons per Employee.<sup>3</sup> All of these facilities receive water from the local municipal water supply. This total does not include canned water served onboard aircraft, which is purchased from a beverage supplier and, therefore, counted in its consumption. The majority of our water consumption is domestic use by our Employees. A portion of our water usage is process water—including cleanup and equipment and aircraft washing—at our maintenance bases. We also consume water for landscape irrigation at some of our facilities. Compared to other resources, such as jet fuel, our water consumption is not a material environmental impact for Southwest operations.



## Comparison of Key Operating Statistics Related to Emissions

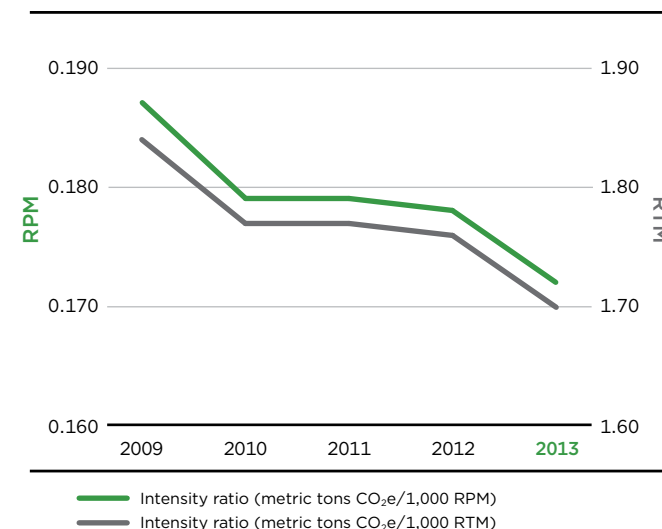
Metric	2013	2012	2011	2010	2009
Trips Flown	1,312,785	1,361,558	1,317,977	1,114,451	1,125,111
Fuel consumed (million gallons)	1,818	1,847	1,764	1,437	1,428
<b>Total Scope 1 and 2 GHG emissions</b> (million metric tons CO <sub>2</sub> e)	<b>18.0</b>	<b>18.3</b>	<b>17.5</b>	<b>14.0</b>	<b>13.9</b>
ASMs (thousands)	130,344,072	128,137,110	120,578,736	98,437,092	98,001,550
<b>Intensity ratio</b> (metric tons CO <sub>2</sub> e/1,000 ASMs)	<b>0.138</b>	<b>0.143</b>	<b>0.145</b>	<b>0.142</b>	<b>0.142</b>
RPMs (thousands)	104,348,216	102,874,979	97,582,530	78,046,967	74,456,710
<b>Intensity ratio</b> (metric tons CO <sub>2</sub> e/1,000 RPMs)	<b>0.172</b>	<b>0.178</b>	<b>0.179</b>	<b>0.179</b>	<b>0.187</b>
RTMs (thousands)	10,559,737	10,411,609	9,871,458	7,914,603	7,555,942
<b>Intensity ratio</b> (metric tons CO <sub>2</sub> e/1,000 RTMs)	<b>1.70</b>	<b>1.76</b>	<b>1.77</b>	<b>1.77</b>	<b>1.84</b>

## GREENHOUSE GAS INVENTORY ▼

We continue to voluntarily track greenhouse gas (GHG) emissions and strive to reduce future emissions while continuing to provide safe, reliable, and affordable air transportation to our Customers. There are no federal, state, or local regulations requiring us to conduct a GHG inventory. We are voluntarily doing so to increase the transparency of our operations and, most importantly, to better understand our impact on the environment.

Despite the increase in the size of our operations over this five-year period, our GHG intensity ratios based on ASMs, revenue Passenger miles (RPMs), and RTMs remained approximately the same or decreased slightly. Our 2013 GHG inventory shows a decrease in the total GHG emissions in metric tons of carbon dioxide equivalent (CO<sub>2</sub>e) compared to 2012, and either a decrease or no change in each of our GHG intensity ratios year over year due to Southwest's many efficiency measures discussed throughout the 2013 Southwest Airlines One Report™.

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



## ▷▷ 2013 marks our fifth year of conducting a detailed GHG emissions inventory and our first year of reporting Scope 3 emissions.

### Scope 1 and Scope 2 Emissions

As with our previous years' inventories, we have included Scope 1 and Scope 2 emissions in our 2013 GHG inventory. For preparation of this inventory, we collected data for our various types of energy consumption.

#### Scope 1 Emissions

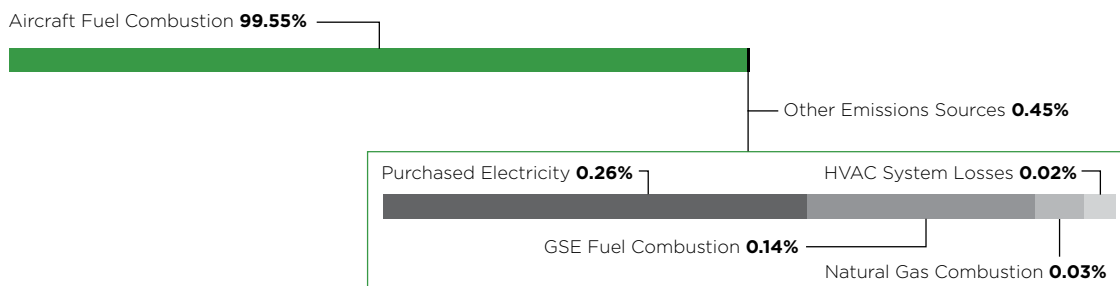
- Aircraft fuel consumption
- GSE fuel consumption
- Natural gas consumption in offices, hangars, and other facilities controlled by Southwest
- Refrigerants emitted from chillers and air conditioning units from Southwest-controlled facilities (i.e., HVAC system losses)

#### Scope 2 Emissions

- Purchased electricity in Southwest-controlled facilities

The collected data was converted to GHG emissions using industry-standard factors. Southwest's total Scope 1 and Scope 2 GHG emissions for 2013 were approximately 18.0 million metric tons of CO<sub>2</sub>e, with more than 99 percent of those emissions coming from aircraft fuel combustion.

### Emissions Breakdown



### Historical GHG Emissions Inventory Summary

Operational Boundary	2013 (metric tons CO <sub>2</sub> e)	2012 (metric tons CO <sub>2</sub> e)	2011 (metric tons CO <sub>2</sub> e)	2010 (metric tons CO <sub>2</sub> e)	2009 (metric tons CO <sub>2</sub> e)
Aircraft fuel combustion	17,915,358	18,197,935	17,382,945	13,898,333	13,810,014
Natural gas combustion	5,950	4,330	4,472	4,842	4,940
GSE fuel combustion	24,575	26,814	26,922	24,332	20,347
HVAC system losses	3,395	3,395	3,395	3,395	3,394
Total Scope 1 emissions	17,949,278	18,232,474	17,417,734	13,930,902	13,838,695
Total Scope 2 emissions (purchased electricity)	47,680	46,783	41,829	43,960	49,512
<b>Total Scope 1 and 2 GHG emissions</b>	<b>17,996,958</b>	<b>18,279,257</b>	<b>17,459,563</b>	<b>13,974,862</b>	<b>13,888,207</b>

### Scope 3 Emissions

In 2013, we expanded our inventory to also include Scope 3 emissions. Scope 3 emissions are defined as emissions that occur from sources owned or controlled by other entities in the Southwest value chain (e.g., materials suppliers, waste management suppliers, Employees, and Customers). We have chosen to use the Scope 3 emissions categories defined by the World Resources Institute's *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*—the

standard we follow for our GHG inventory—based on the following criteria:

- Size—significant portion of Scope 3 emissions
- Influence—potential emissions reductions
- Risk—contribute to risk exposure
- Stakeholders—critical to key stakeholders
- Outsourcing—activities typically performed in-house
- Sector-specific—relevant to industry sector

For the first time, we are reporting on three of the World Resources Institute categories: capital goods, waste generated in operations, and Employee commuting. There are several categories of Scope 3 emissions that are not relevant because Southwest is a service company, and we do not manufacture goods. There are also a few categories which may be relevant in terms of Scope 3 emissions, but we do not yet have a system in place for collecting the data necessary to calculate those emissions.

### 2013 Scope 3 Emissions

Category	Description	Metric tons CO <sub>2</sub> e
Capital goods	Emissions associated with the production of aircraft <sup>4</sup> added to the fleet in 2013	32,000
Waste generated in operations	Emissions associated with waste sent to landfills and the combustion of materials burned for energy recovery	5,700
Employee commuting	Emissions associated with the transportation of our Employees between their homes and their work locations	188,000



### REGULATORY COMPLIANCE ▼

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

We also regularly conduct audits to review environmental compliance. Our standard auditing protocol assesses a station's record keeping, permit status, and compliance with requirements of regulatory plans such as Storm Water Pollution Prevention Plans (SWPPP) and Spill Prevention, Control, and Countermeasure (SPCC) Plans. We perform a visual, walk-through inspection to confirm

that key compliance practices are enacted in each of the cities we serve. With the acquisition of AirTran in 2011, we expanded our auditing program to include all AirTran locations. We track all audit findings and corresponding corrective action in our environmental management systems, which also include information about our permits and their expiration dates as well as spills that may have occurred at our locations.

## Fines and Sanctions

One of the ways we can measure our impact on the environment is by the number of environmental fines and sanctions we receive. We report the number of and dollar amount associated with any environmental violations we receive to environmental Leadership. Our goal is zero environmental violations.

### History of Environmental Violations Resulting in Monetary Fines

Year	Number of Violations Resulting in Fines	Total Fines
2013	0	None
2012	1	\$1,500
2011	0	None
2010	2	\$603
2009	3	\$3,689
2008	0	None

▸ In 2013, we met our goal of zero recorded environmental violations resulting in monetary fines in our operations.

## Operational Spills

We recognize that spills of chemicals, oils, and fuels can have a significant impact on our planet, so we make every effort to prevent them; however, we acknowledge that despite our best efforts, some spills do happen due to equipment failure or human error. 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 e-mail distribution 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 develop spill prevention strategies. Four of the spill incidents in 2013 required reporting to the National Response Center or other governmental agency. None of these spills required reporting in our financial statements as a liability.

## Noise Reduction

We strive to mitigate noise and be a good neighbor in each of the communities we serve by meeting current aircraft noise standards and locally established curfews. The addition of winglets to eligible models in our fleet has also resulted in quieter aircraft operations and less noise for surrounding communities. The aircraft that make up our current fleet are compliant with either the Federal Aviation Administration's (FAA) Stage 3 or Stage 4 standard. The Boeing 737-700s, 737-800s, and 737 MAX aircraft, which are being introduced through our fleet modernization program, will be compliant with Stage 4 standards.

## Storm Water Management

We work with airports throughout our network to control storm water runoff and mitigate environmental impacts to nearby rivers, streams, and lakes. Storm water runoff from airports is regulated under the EPA's National Pollutant Discharge Elimination System (NPDES) program. Permits are issued to each airport under the NPDES program, so that aircraft-deicing-fluid runoff and fluids used to maintain our aircraft and equipment are properly managed to prevent adverse impacts to the environment. We take measures to address runoff related to aircraft deicing including aircraft-deicing-fluid recovery and other pollution-reduction technologies. We also support storm water management efforts by maintaining compliance with regulatory plans, such as SWPPP and SPCC Plans, and including the topic of storm water protection in our annual environmental training for our operational groups.

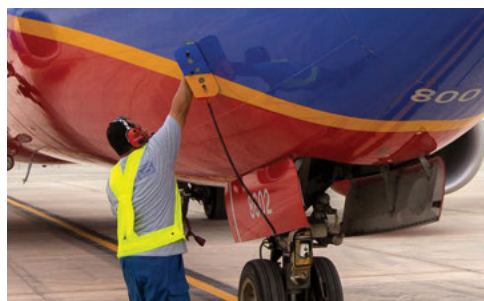




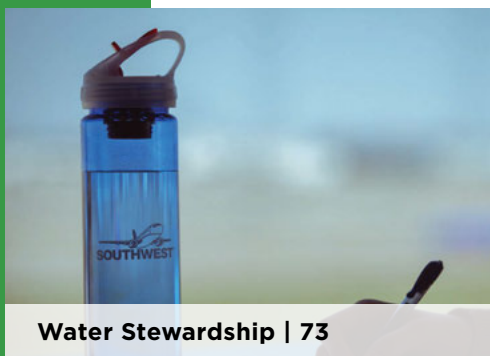
# ENVIRONMENTAL CONSERVATION



Emissions Reductions | 71



Electricity Management | 72



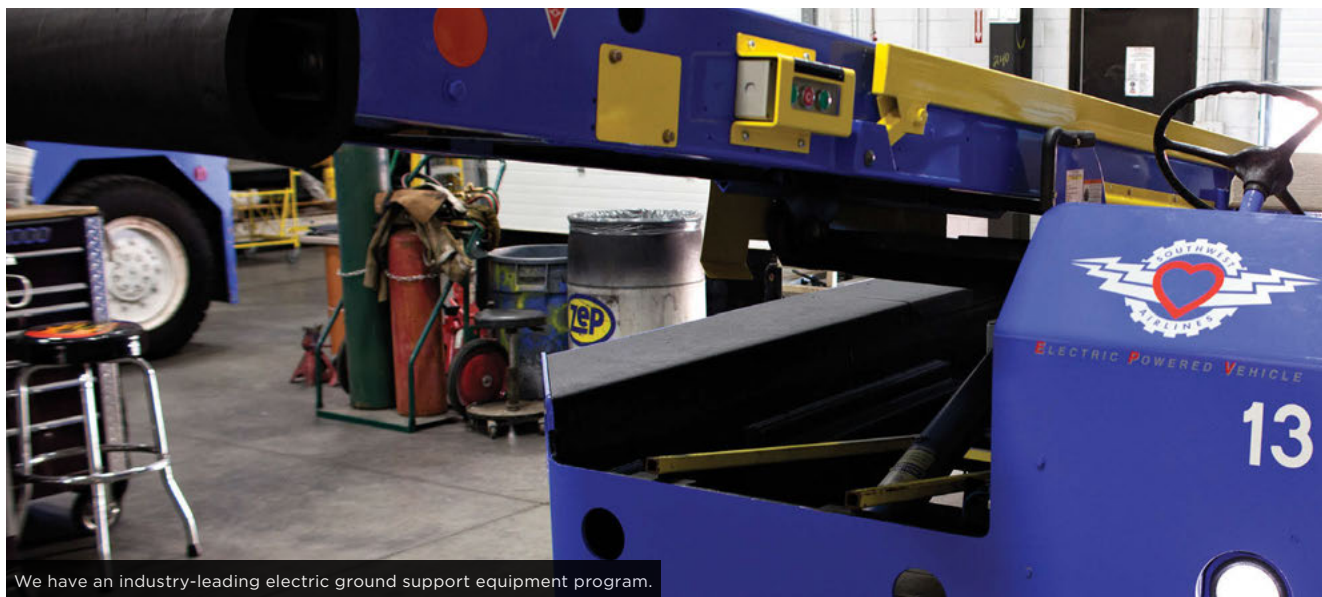
Water Stewardship | 73



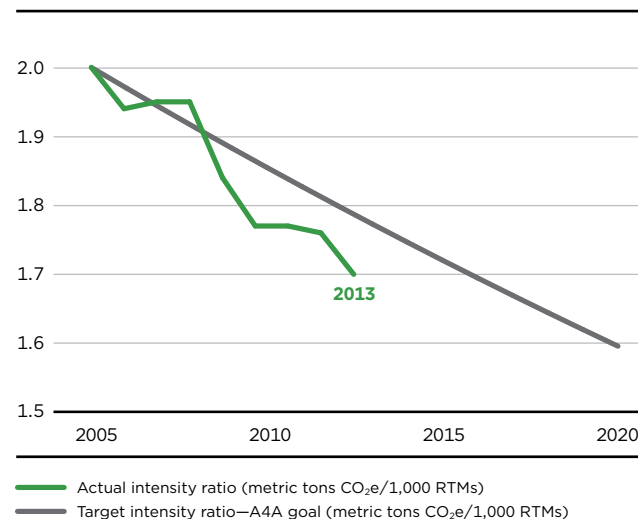
Community Outreach | 73

We have a steadfast focus on conserving jet fuel, GSE fuel, electricity, and water to reduce our impact on the planet.

At Southwest, we are committed to making environmentally responsible decisions and operating with a green filter, a mindset of protecting our planet while remaining true to our low-cost philosophy. Our environmental conservation projects and initiatives are examples of that mindset being put into practice.



#### Emissions Reduction Target



## EMISSIONS REDUCTIONS ▼

At Southwest, our emissions-reduction efforts range from major projects like modernization of our fleet to minute details like the number of coffee cups stocked in the galley. On an ongoing basis, we have a variety of emissions-reduction activities underway. These include development and implementation of fuel-saving initiatives for our aircraft and GSE fleets and building to LEED® (Leadership in Energy and Environmental Design) standards for the design, construction, and renovations of our facilities that are discussed throughout this report.

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

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

We have contributed to the A4A's goal to continue industry fuel efficiency improvements. We are on track with the industry-wide goal of an average annual CO<sub>2</sub> efficiency improvement of 1.5 percent per year on an RTM basis.

▷▷ Since 2005, we have seen a 20 percent improvement in our jet fuel efficiency on an RTMs per gallon basis.

#### Jet Fuel Conservation

Southwest ranked fifth for in-service fuel efficiency among 15 U.S. domestic passenger airlines according to a report released by the International Council on Clean Transportation (ICCT), a nonprofit research organization based in Washington, D.C. According to the same report, Southwest was the most efficient airline operating on a point-to-point business model. The study is based on fuel consumption data for 2010, as reported by airlines to

the U.S. Bureau of Transportation Statistics. It employs a custom methodology to evaluate an airline's fuel efficiency relative to both the mobility (straight-line passenger miles between origin and destination) and access (airports served and/or flight frequency) it provides. For the latest ICCT report, visit [theicct.org/us-domestic-airline-fuel-efficiency-ranking-2011-2012](http://theicct.org/us-domestic-airline-fuel-efficiency-ranking-2011-2012).

For more on how we achieved our year-over-year improvements in fuel efficiency, see our [Fuel Initiatives](#) feature story.

#### Alternative Fuels

We actively support key advancements in the protection of our planet, such as biofuels and cleaner alternative fuels. As members of A4A, we support the organization's efforts to foster the development and deployment of alternative jet fuels. We are an active participant in the Commercial Aviation Alternative Fuels Initiative—a group co-founded by the A4A who works to enhance energy security and environmental sustainability for aviation by exploring the development and use of alternative jet fuels. For more information, visit [caafi.org](http://caafi.org).

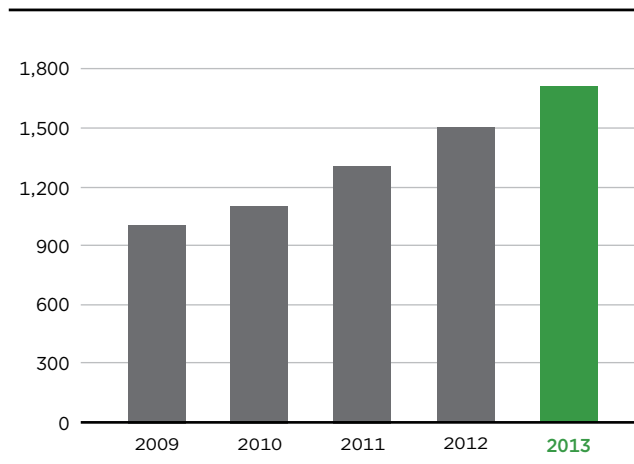
#### GSE Fuel Conservation

In 2009, we began tracking the number of cleaner-burning GSE in our fleet. In 2013, 30 percent of our fleet used cleaner-burning fuel. The purchase of new, cleaner-burning diesel equipment to replace retired equipment combined with the continuation of our GSE diesel-to-

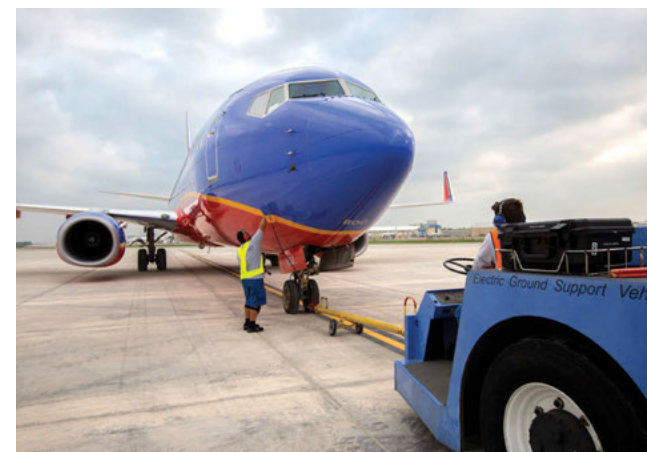
electric conversion program brings the total number of cleaner-burning GSE in the combined Southwest and AirTran GSE fleet to more than 1,700 as of yearend 2013.

In 2013, we purchased 19 new pieces of electric GSE and converted 17 other pieces of equipment from diesel to electric power. We saved more than 575,000 gallons of fuel in 2013 and reduced emissions by approximately 5,300 metric tons of CO<sub>2</sub>e through the use of electric, rather than petroleum-powered, GSE. We also realized additional fuel savings and emissions reductions in 2013 from repowering some GSE with new, cleaner-burning diesel engines. By repowering these GSE, we also avoided the use of raw materials and energy that would have been required to produce new equipment.

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



▷▷ Our GSE fuel conservation efforts in 2013 were equivalent to saving 67 tanker trucks of fuel.<sup>5</sup>



#### ELECTRICITY MANAGEMENT ▼

In our past One Reports, we shared our commitment to utilizing LEED® standards in design, construction, and renovations. Our Headquarters Master Plan, currently underway, applies LEED® standards in:

- Remodeling and densifying our existing, nearly 1 million-square-foot Headquarters building
- Remodeling our existing, approximately 90,000-square-foot Tech Operations (Maintenance) facility and constructing a 113,000-square-foot expansion
- Constructing a new 500,000-square-foot Training and Operations Support (TOPS) building

Examples of energy-saving measures implemented or planned as a part of the remodeling of our Headquarters building include the replacement of three-bulb light fixtures with energy-efficient two-bulb light fixtures, daylight sensors that will shut off select lights when the system detects enough sunlight, HVAC system improvements,



and the use of Energy Star-rated appliances in Employee break rooms. Our goal to consume less energy in our new TOPS building will be achieved through efficient HVAC and energy system design. Along with implementing new energy-saving measures in our buildings, we continue to audit and track our monthly utility bills through our energy management consultant, Summit Energy Services, Inc.

To further reduce the impact our electricity use has on the environment, we have worked with Summit to procure renewable energy certificates. In 2013, we began commitments to purchase renewable energy credits equivalent to the following percentages of our estimated total electricity use:

- 50 percent for our remodeled Headquarters building for two years
- 70 percent for our new TOPS building for two years
- 30 percent for our Dallas and Houston facilities for two years

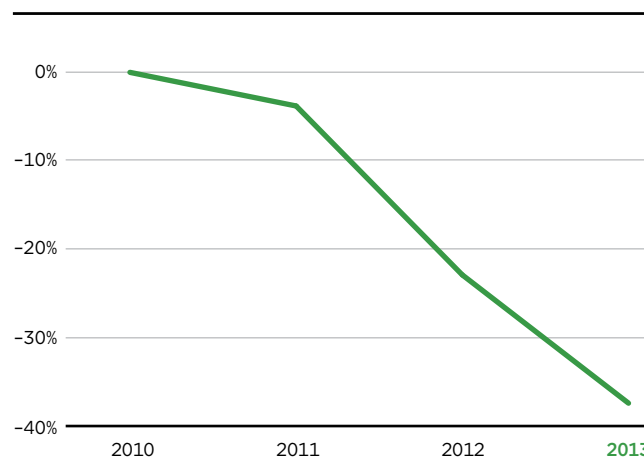


## ▶▶ Our renewable energy commitments total more than 50 million kWh for a two-year period.

### WATER STEWARDSHIP ▼

While we do not use a significant amount of water in our operations, we can still find ways to be good stewards of this natural resource. Thanks in part to water-saving measures implemented as part of our Headquarters Master Plan and other ongoing water conservation projects, we continue to see reductions in our campus water consumption. Water-saving strategies incorporated in our Headquarters Master Plan include the installation of low-flow/flush plumbing fixtures throughout the new TOPS building and in remodeled restrooms on our Headquarters campus. We have also incorporated these

#### Reduction in Headquarters Campus Water Usage Per Employee (compared to calendar year 2010)



strategies in facilities beyond our Headquarters campus, including our Atlanta Customer Support and Services Center. These projects are further examples of our commitment to applying LEED® standards to our design, construction, and renovations. We also focus on water stewardship through education and outreach to our Employees about the importance and impact of integrating water conservation habits into their lives at work and home.

### COMMUNITY OUTREACH ▼

At Southwest, we consider ourselves much more than a business; we strive to be good environmental stewards in the locations where we live and work. Whether through volunteerism, in-kind donations, or financial giving, we support activities that promote conservation and preservation of our natural resources. We also promote biodiversity and support efforts such as the Trinity River Conservation Corps and *National Geographic* BioBlitz whose activities help sustain the diversity of species in ecosystems. More information on how we support our **communities** can be found in the People section.



# ENVIRONMENTAL MANAGEMENT SYSTEMS



**Environmental  
Management System | 75**



**Chemical  
Management System | 75**

Our environmental management systems include all Southwest environmental policies and procedures and aid in meeting our environmental goals and making future enhancements to improve our performance.

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



We review our operations to maintain compliance with all local, state, and federal environmental laws and regulations.

## ENVIRONMENTAL MANAGEMENT SYSTEM ▼

Our environmental policy is the cornerstone of the EMS and is provided in the **Environmental Management Approach** section. It requires all Southwest operating groups and processes to be included in the system. Under the EMS, we review our operations to maintain compliance with all local, state, and federal environmental laws and regulations. The goal of this program is to maintain zero environmental violations as tracked through monetary fines assessed and to aid in identifying pollution-prevention opportunities.

Implementation of our EMS includes training and communicating with all Southwest operating groups and engaging all Employees. Document control and document sharing are also important elements of effective engagement. Through our EMS, environmental documents and information are available on an internal

web site, where Employees have access to environmental guidance and standardized, online forms for reporting and emergency response.

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

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

## CHEMICAL MANAGEMENT SYSTEM ▼

Another program encompassed in our EMS is our CMS. New chemicals are reviewed for environmental and Safety impacts before they are approved for use at Southwest. The Chemical Review Board—which includes Employees from the Safety, Environmental Services, Purchasing, Hazardous Materials, Engineering, and Aircraft Appearance departments—reviews all requests for new chemicals, and each department represented on the board must approve the chemical before it can be purchased and added to the CMS. Our CMS also tracks the use of chemicals in our facilities.

One of the most important environmental issues surrounding chemical management is the use of ozone-depleting substances. The ozone layer prevents harmful ultraviolet light from passing through the atmosphere, and the use of these substances can cause a decrease in the total volume of the ozone layer. The only ozone-depleting substances Southwest presently uses are refrigerants found in the HVAC systems of Southwest-operated buildings. In 2013, we estimated that the use of these substances resulted in 3,395 metric tons of CO<sub>2</sub>e emissions 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.

# WASTE MANAGEMENT & RECYCLING



Reduce | 77



Reuse | 78



Recycle | 78

**We reduce. We reuse.  
We recycle.**

The mantra of reduce, reuse, recycle truly represents Southwest's waste management and recycling efforts. We search for ways to reduce the amount of waste, particularly hazardous waste, we generate. We also look for disposal options that allow us to reuse or recycle as much of that waste as possible.



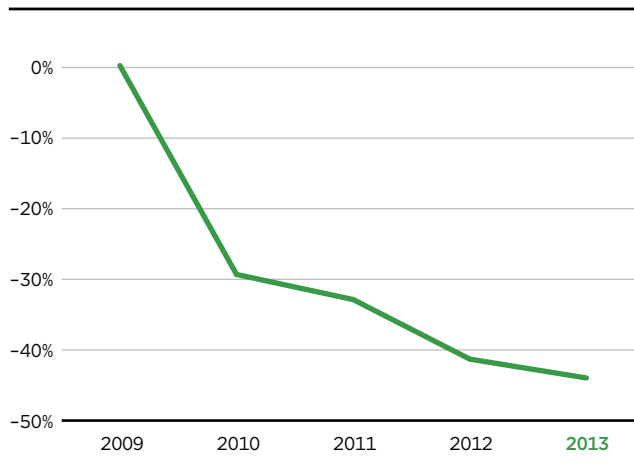
## REDUCE ▼

We are continuously seeking new and better ways to minimize our waste. As a part of our recent renovation of our Headquarters building, the new drinking water fountains include water bottle fill stations. These stations encourage the use of refillable water bottles and minimize waste from the disposal of plastic water bottles. We also have significantly reduced our paper use per Employee at our Headquarters. We replaced nearly all printers with multi-function printers to increase double-sided printing and reduce unnecessary printing through printer controls.

Another area where we have found opportunities to reduce waste is in our aircraft maintenance activities. Our new -800s utilize mercury-free LED cabin lighting. The LED lights are more efficient and have a longer life span—10 times longer than traditional light bulbs—which will help us minimize waste as well as maintenance costs. During a review of our aircraft parts and components repair process, our Supply Chain Management Department discovered another opportunity for waste reduction. In the past, parts were sent to a central Maintenance facility first, processed, and then shipped to a repair supplier.



### Reduction in Headquarters Campus Paper Usage per Employee (compared to calendar year 2009)



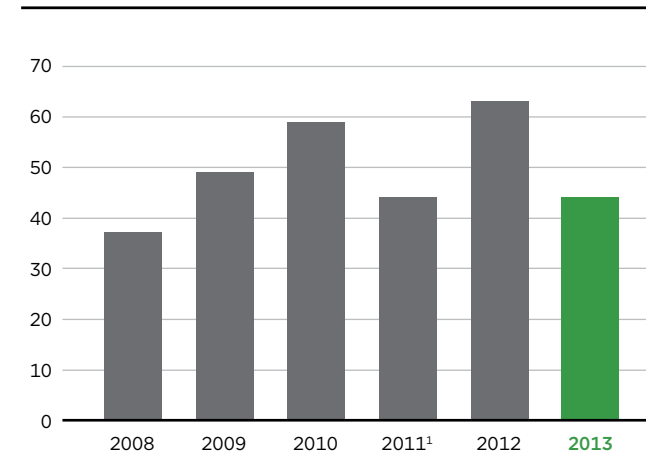
Through this process efficiency initiative, Project Velocity, we revised this process systemwide. Now we send aircraft parts directly to suppliers for repair, which eliminates a shipping segment. Less shipping means less packaging waste. In 2013, we avoided 3,800 shipments due to the implementation of Project Velocity, saving an estimated 6,800 pounds of packaging materials. Other important benefits include decreased shipping costs, improved turnaround time on repairs, reduced inventory, and fewer emissions from shipping transit.

Over the past several years, the **Southwest Green Team** received numerous suggestions from Employees and Customers asking for a more environmentally friendly product to replace our plastic car seat/stroller bags. The Green Team has been hard at work looking at different options, and in the fall of 2013 we began testing the sale of a reusable car seat/stroller bag (available for \$15). After receiving great feedback from our Customers, we decided to make the reusable car seat/stroller bag a permanent product and are completely discontinuing the use of plastic bags. By the end of 2013, we had already sold more than 7,000 reusable bags.

A small percentage of our industrial waste—primarily that resulting from aircraft maintenance operations—meets the regulatory definition of hazardous waste, triggering additional storage, record-keeping, and disposal requirements. We are continuously striving for efficiency in our operations and seeking new and better ways to minimize our hazardous waste generation. One example of this is reducing our use of parts washer solvents by replacing them with water-based materials.

Much like emissions or energy use, we track our year-over-year hazardous waste minimization efforts in terms of an intensity ratio. This enables us to monitor performance and evaluate progress as a function of the size of our operations. Since most of our hazardous waste generation stems from aircraft maintenance and the number of aircraft in our fleet is a good general

### Hazardous Waste Intensity Ratio (pounds per aircraft)<sup>6</sup>



representation of the size of our aircraft maintenance operations, we have established a hazardous waste intensity ratio of pounds of hazardous waste generated per aircraft. For 2013, the hazardous waste intensity ratio was approximately 44 pounds per aircraft,<sup>6</sup> a 30 percent improvement compared to 2012.





## REUSE ▼

From aircraft parts to wooden pallets, we look for ways to reuse items or materials that would otherwise be disposed of as waste from our operations. In the 2012 *Southwest Airlines One Report™*, we shared information on our retired aircraft recycling program. As part of that program, we collect useable spare parts like oxygen bottles, avionics, and landing gear. These items are kept in our inventory to avoid having to purchase additional parts for aircraft maintenance. As a result of retrofitting our aircraft with the new *Evo/ve* interior, we embarked on a journey to repurpose used leather seats into upcycled products. Partnering with SOS Children's Village Kenya, we shipped two containers of leather in December 2013 to launch a future training program with local Nairobi social enterprises, creating products like shoes, soccer balls, and leather goods to donate to the local community and support social enterprises. We hope this Nairobi pilot program will be the first phase of a sustainability campaign to reuse the leather seats through upcycling projects around the world, working with project partners whose aim it is to better people's lives and raise industry standards for the environment and the communities in which they operate.



## RECYCLE ▼

We recycle co-mingled waste from our aircraft and facilities in addition to industrial materials and hazardous waste from our maintenance activities.

### Co-Mingled Recycling

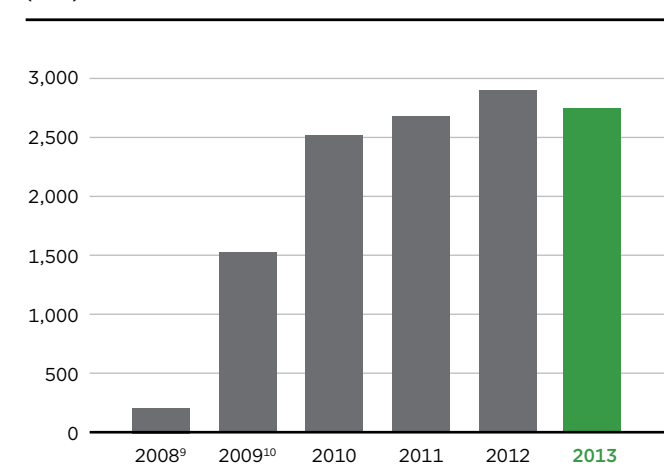
Paper, cardboard, plastic, and aluminum collected onboard our aircraft and at many of our facilities are recycled through our co-mingled recycling program. The environmental benefits of this program include:

- Reducing waste volume to conserve landfill space
- Minimizing future GHG emissions through the contribution of recycled materials, which can be used to make new products with a smaller carbon footprint
- Preserving raw materials as well as the energy and water required for processing raw materials
- Purchasing renewable energy-fueled equipment such as solar compactors with co-mingled recycling program rebates
- Promoting recycling to our Employees and Customers through education to encourage more recycling not only onboard our aircraft and in the office but also at home.

▷▷ Since August 2008, we diverted more than 12,500 tons of material from landfills and into recycling facilities—the weight of nearly 300 Boeing 737-700 aircraft.<sup>7</sup>

We track our co-mingled recycling program's success through monthly reports compiled by our recycling vendor, Republic Services. In 2013, we diverted more than 2,700 tons of co-mingled waste from landfills as a direct result of recycling. This is a slight decrease compared to 2012, which means we did not meet our interim goal of a 2.5 percent increase year-over-year. We attribute this decrease to the closure of three Provisioning facilities and contamination of some recycling loads (for instance due to excessive liquid). We are looking for

**Recycling Trend<sup>8</sup>**  
(tons)



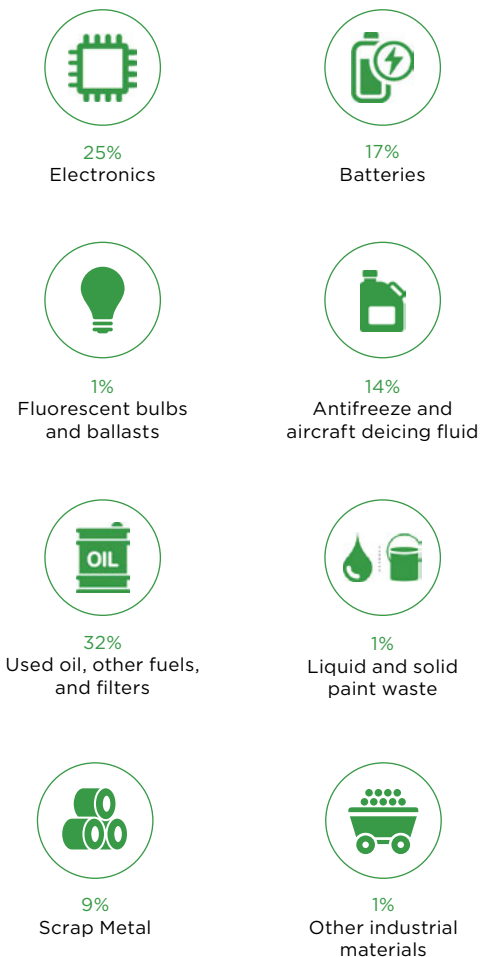
opportunities to further improve our recycling program, so we can achieve our ultimate goal of a 10 percent improvement over our 2011 levels by 2015.

### Industrial Materials

Maintenance of our aircraft, GSE, and facilities generates industrial waste that could be harmful to our environment if not properly disposed of or recycled. To minimize our impact on the environment, we try to find beneficial reuse options for the industrial waste we generate. In 2013, we recycled more than 660 tons of industrial waste. This includes both recycling in the traditional sense (processing and remanufacturing materials into new products) and burning waste materials for energy recovery (using industrial waste as a fuel source for non-related production processes such as use in cement kilns). In 2013, we avoided 423 metric tons of CO<sub>2</sub>e<sup>11</sup> emissions through our recycling program for used oil and solvents.

▷▷ The energy recovered from the beneficial reuse of our industrial waste material is equivalent to powering approximately 180 homes with electricity for one year.<sup>12</sup>

### Breakdown of Industrial Materials Recycled (percentage by weight)



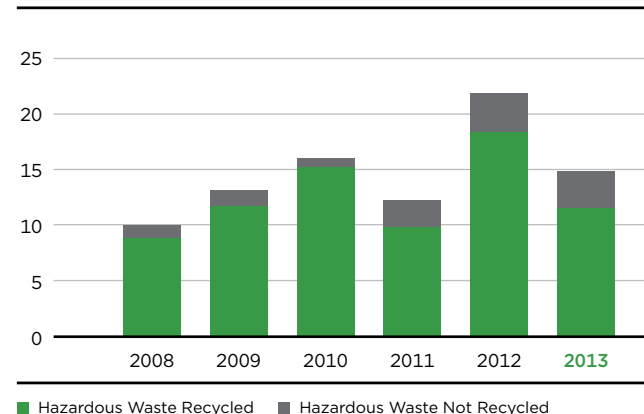
In 2013, our waste vendors sent approximately 33 percent, or 220 tons, of the 660 tons of industrial waste material to be burned for energy recovery. More than 7.8 billion British thermal units (Btus) were recovered from materials such as used oil, filters, and liquid and solid paint waste.

We also work with our suppliers to find additional opportunities for waste minimization and recycling. For example, we recycle toner cartridges from our printers and copiers through our supplier's collection program. For more information on our suppliers' environmental efforts, see the [Suppliers](#) section.

### Hazardous Waste

Of the hazardous waste we do generate, our goal is to manage it through the most environmentally beneficial methods. In 2013, we managed more than 11 tons, or more than 77 percent of our total hazardous waste generated, through recycling or burning for energy recovery. More than 75 tons of hazardous waste has been managed through these beneficial processes since 2008.

### Total Hazardous Waste Generated and Recycled (tons)



# ENVIRONMENTAL MANAGEMENT APPROACH



We continually search for ways to strengthen our commitment to the environment.

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





Environmental stewardship is an important aspect of our commitment to global citizenship.

## ENVIRONMENTAL POLICY ▼

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

- Complying with all environmental laws and regulations
- Striving to meet our annual goal of zero environmental violations in our operations
- Maintaining our environmental management systems, following procedures, and training our Employees to meet our compliance goals
- Continuing to improve our performance regarding our environmental goals and initiatives

- Auditing our operations for environmental compliance and implementing corrective actions where needed
- Auditing our environmental vendors to ensure their operations are compliant and they demonstrate a commitment to environmental stewardship
- Providing transparency of our environmental performance to our stakeholders
- Using natural resources efficiently and using alternative fuels and renewable energy where possible while continuing to meet our operational requirements
- Minimizing waste and pollution from our operations and preventing it where possible, while remaining true to the triple bottom line of Performance, People, and Planet

## POSITION ON CLIMATE CHANGE ▼

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

Over the past decade, we have done our part to reduce GHG emissions and improve the fuel efficiency of our fleet by investing more than \$500 million in projects like winglets, engine upgrades, engine washes, use of ground power at airport gates, controlled ground idle speeds, and equipping our fleet with satellite-based Required Navigation Procedures (RNP) to enable our aircraft to fly more efficient routes. However, the biggest opportunity for improvement in emissions reduction and jet fuel conservation rests with the federal government. That is because today's air traffic control system, which is maintained by the FAA, is woefully inefficient. The current system is radar-based and prevents airlines from fully using the advanced capabilities that already exist in modern jet aircraft, such as Southwest's fleet of RNP-equipped Boeing -700 and -800 aircraft, as well as future purchases of Boeing's newly designed 737 MAX aircraft, which are on order and scheduled for delivery beginning in 2017.



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

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

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

## GOALS AND PERFORMANCE ▼

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

- [Jet fuel](#)
- [GSE fuel](#)
- [Emissions](#)
- [Water](#)
- [LEED® certification](#)
- [Recycling](#)
- [Regulatory compliance](#)
- [Supply chain](#)

## ORGANIZATIONAL RESPONSIBILITY ▼

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

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

## TRAINING AND AWARENESS ▼

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

## MONITORING, CORRECTION, AND PREVENTATIVE ACTIONS ▼

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

# APPENDIX

## ENVIRONMENTAL METHODOLOGIES ▼

### Fuel Consumption and Efficiency

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

## Natural Gas, Electricity, and Water Consumption

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

## Greenhouse Gas Inventory

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

### Inventory Development

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

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

The emission quantities of the recognized GHGs were then converted to metric tons of CO<sub>2</sub>e using global warming potential (GWP) to normalize the GHGs. GWP is the ratio of radiative forcing to the degree

of atmospheric warming that would result from the emission of one mass-based unit of a given GHG compared to one equivalent unit of CO<sub>2</sub> over a period of time. CO<sub>2</sub> emissions account for nearly 99 percent of Southwest's emissions on a CO<sub>2</sub>e basis.

AirTran data has been incorporated into our emissions calculations. The calculations of emissions related to jet fuel, diesel, and gasoline include AirTran data, as do the facility-related emissions calculations—including electricity usage, natural gas usage, and HVAC losses.

Based upon the completeness and precision of the data used for the inventory, we estimate that this inventory is accurate within 5 percent. GHG emissions from some insignificant activities, such as HVAC system losses, are estimated based on an upper-bound assumption of the expected losses that would occur from Southwest facilities. These activities are a very small percentage of our overall GHG emissions. All other GHG emissions, such as those from use of jet fuel and natural gas, are calculated from actual usage records.

### Organizational Boundaries

Organizational boundaries—the degree of an organization's control over its facilities and equipment—determine the types of GHG emissions that will be included within or excluded from the inventory. In commercial aviation, the majority of the facilities operated by an airline are owned by others and leased by the airline. In this GHG inventory, we are taking the same operational control approach we have used since 2009—including GHG emissions from facilities and assets we control, which includes both facilities owned by Southwest and those under the primary control of Southwest. Examples of facilities under our primary control include Headquarters facilities, aircraft hangars, Customer Support and Services centers, and some of our other airport facilities such as Provisioning,

Cargo, or GSE maintenance locations. Facilities controlled by airport operators, such as terminals shared by multiple airlines, have not been included.

### Operational Boundaries

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

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

### Intensity Ratios

Intensity ratios are often referred to as normalized environmental impact data that allow a quantification of the GHG impact per unit of physical activity or unit of economic output. Within the airline industry, parameters that reflect productivity include, but are not limited to, RPMs, ASMs, and RTMs.

## Waste Management and Recycling

### Co-Mingled Recycling

We began tracking recycling data in August 2008. We launched our onboard co-mingled recycling program in November 2009. This program uses a

single contractor to recycle waste collected onboard our entire fleet of aircraft. We also recycle similar materials on the ground at most Southwest facilities across the nation, wherever programs are available. Our co-mingled recycling stream includes:

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

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

#### Industrial Materials

Industrial waste we recycle includes:

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

#### Hazardous Waste

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

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

Since most of our hazardous waste generation stems from aircraft maintenance and the number of aircraft in our fleet is a good general representation of the size of our aircraft maintenance operations, our hazardous waste intensity ratio for 2013 is based on pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2013, including aircraft acquired from AirTran.

#### FOOTNOTES ▼

- 1) AirTran data not included.
- 2) Conversions to MWh are based on default densities and heating values from the Carbon Disclosure Project guidance document, *Technical Note: Conversion of fuel data to MWh*.
- 3) Based on active, full-time equivalent Southwest and AirTran Employees as of Dec. 31, 2013.
- 4) Based on estimated emissions per aircraft in 2012 from *The Boeing Company: 2013 Environment Report*.
- 5) Comparison is based on a tanker truck capacity of 8,500 gallons.
- 6) Pounds of hazardous waste generated at controlled facilities divided by the number of aircraft in the fleet as of Dec. 31, 2013, including aircraft acquired from AirTran.
- 7) Based on maximum takeoff weight of a Boeing -700 loaded with fuel and Passengers.
- 8) This data includes recycling of paper, plastic, aluminum, and cardboard from aircraft and select facilities as part of the Southwest co-mingled recycling program. Excludes AirTran recycling data.
- 9) We began tracking recycling data in August 2008.
- 10) We launched our onboard co-mingled recycling program in November 2009.
- 11) As certified by our vendor Safety-Kleen.
- 12) Comparison is based on the U.S. EPA's GHG Equivalencies Calculator available at [epa.gov/cleanenergy/energy-resources/calculator.html](http://epa.gov/cleanenergy/energy-resources/calculator.html)

# Corporate Governance



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

IN THIS SECTION:

[p. 86 Code of Ethics](#)

[p. 86 Insider Trading Policy](#)

[p. 86 Foreign Corrupt Practices Act Policy and Anti-Corruption Compliance Procedures](#)

[p. 86 Blackout and Pre-Clearance Procedures](#)

[p. 86 Acknowledgements](#)

[p. 87 Auditing Procedures](#)

[p. 87 Southwest Leadership](#)

For further reading on our corporate governance, visit  
<http://southwest.investorroom.com/governance-guidelines>.





## CODE OF ETHICS ▼

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

## INSIDER TRADING POLICY ▼

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

## FOREIGN CORRUPT PRACTICES ACT POLICY AND ANTI-CORRUPTION COMPLIANCE PROCEDURES ▼

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

## BLACKOUT AND PRE-CLEARANCE PROCEDURES ▼

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

## ACKNOWLEDGEMENTS ▼

We require all Employees to annually certify receipt and understanding of our code of ethics and insider trading policies. In 2013, more than 46,500 Southwest Airlines and AirTran Airways Employees and certain business associates certified receipt of these materials. During 2013, we also distributed our Foreign Corrupt Practices Act policy and anticorruption 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 2013, more than 2,000 individuals received

and completed a compliance questionnaire regarding the Foreign Corrupt Practices Act.

## AUDITING PROCEDURES ▼

We also employ robust auditing procedures to analyze and monitor business activities, which further enhance our ability to maintain high ethical standards. We continually review our systems to provide transparency and accountability, and we update our corporate governance policies when needed.

## SOUTHWEST LEADERSHIP ▼

### 2013 Board of Directors (as of Dec. 31, 2013)

#### David W. Biegler

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

#### J. Veronica Biggins

Managing Director  
Diversified Search LLC  
Compensation Committee

#### Douglas H. Brooks

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

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

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

#### John G. Denison

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

#### Gary C. Kelly (Chairman of the Board)

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

#### Nancy B. Loeffler

Consultant for Frost Bank and member of the  
Frost Bank Advisory Board  
Longtime advocate of volunteerism  
Compensation Committee

#### John T. Montford

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

#### Thomas M. Nealon

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

#### Daniel D. Villanueva

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

### Honorary Designations

#### Herbert D. Kelleher

Chairman Emeritus  
Southwest Airlines Co.

#### Colleen C. Barrett

President Emeritus  
Southwest Airlines Co.

*To view a list of our current Company Officers, visit  
<http://southwest.investorroom.com/company-officers>.*

*To view a current list of our Board of Directors, visit  
<http://southwest.investorroom.com/board-of-directors>.*

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

# GRI & CDP



»» It's important to Southwest Airlines that we're transparent with our Stakeholders, so we use the Global Reporting Initiative (GRI) and CDP (formerly the Carbon Disclosure Project)—two internationally recognized frameworks for communicating and managing our integrated reporting and data.

IN THIS SECTION:

[p. 89 Overview](#)

[p. 90 GRI & CDP Index](#)

[p. 91 Appendix](#)

[p. 92 External Assurance](#)

This is our third year integrating both the GRI and CDP into the *Southwest Airlines One Report*™. While GRI is a framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner, CDP is a framework that allows respondents to effectively manage their environmental risks, focusing on greenhouse gas emissions and climate change strategies. We voluntarily report to both the GRI and CDP. Both organizations invite reporting on climate change, and we at Southwest coordinate frameworks for a more efficient reporting process. Using this guidance, we publish a combined GRI and CDP index that depicts our GRI responses alongside the corresponding CDP<sup>1</sup> responses for calendar year 2013.

## GRI ▼

The 2013 *Southwest Airlines One Report*™ conforms to the principles outlined in the GRI *Sustainability Reporting Guidelines* version 3.0 (G3) and fully complies with the GRI's B+ application level. The GRI is a voluntary, internationally recognized framework for sustainability reporting that allows organizations the opportunity to measure and report their economic, social, and environmental efforts in a consistent manner. The GRI also offers a variety of application levels that show the extent to which G3 guidelines have been applied throughout the report and provide guidance on how organizations can continuously improve their reporting. Learn more about the GRI at [globalreporting.org](http://globalreporting.org).

As Southwest's fifth One Report, the 2013 One Report illustrates our continued steadfast focus on the triple bottom line—our Performance, our People, and our Planet—which supports our Vision to become the World's Most Loved, Most Flown, and Most Profitable Airline. The 2013 One Report represents Southwest's operations for calendar year 2013, unless otherwise stated, and covers only those business activities for which

Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Same as requirement for Level B			
G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.	Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human rights, Labor, Society, Product Responsibility.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.			

\*Sector supplement in final version

Southwest generally has complete control or ownership. This report does not include facilities primarily controlled by others, such as airport terminal space or outsourced or subcontracted facilities. Since the AirTran Airways acquisition in 2011, we have worked diligently to integrate AirTran data with Southwest data where available and feasible. AirTran data is included unless otherwise stated.

## CDP ▼

The 2013 One Report will serve as a template for responding to CDP for its 2014 Climate Change Information Request for Investors. CDP works to transform the way the world does business to address climate change and protect natural resources through communication and education. Companies who measure their environmental risk through CDP's questionnaire are better able to manage it strategically and compare their risks to others. Organizations that are transparent and disclose this information are providing decision makers with access to a critical source of global data. Since 2009, we have voluntarily responded to the Investor CDP Information

Request, which is now the Climate Change Information Request. Companies who respond to CDP are given a disclosure score number, which assesses the level of detail and comprehensiveness in a disclosure, and a performance score letter, which assesses the level of action taken on climate change based on the company's CDP response. In 2013, we proactively engaged CDP to better understand our past results and increased our transparency to improve our CDP scores. An example of our increased transparency is the reporting of additional metrics such as our Scope 3 emissions. As a result, our 2013 CDP scores increased to 93 for disclosure and a B for performance from our 2012 scores of 54 for disclosure and a D for performance. Similar to our past reports, in the 2013 One Report, we have shown our Shareholders and other Stakeholders how our own GRI index and CDP responses correlate. Learn more about CDP at <http://cdproject.net>.

▷▷ In 2013, we significantly improved our CDP scores. We increased our CDP disclosure score more than 72 percent and climbed two performance bands.



# GRI & CDP Index

Profile Disclosures	Page	Corresponding CDP Question <sup>2</sup>
<b>1. Strategy and Analysis</b>		
1.1	<a href="#">Gary's Message</a>	
1.2	<a href="#">Gary's Message</a> , <a href="#">Performance</a> , <a href="#">Environmental Management Approach</a>	
<b>2. Organizational Profile</b>		
2.1	<a href="#">Front Cover</a>	
2.2	<a href="#">Performance</a> , <a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	
2.3	<a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	
2.4	<a href="#">Our Mission/Contact Us</a>	
2.5	<a href="#">30,000-Foot View</a> , <a href="#">Purpose Fuels Our Passion</a> , <a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	
2.6	<a href="#">Corporate Governance</a>	
2.7	<a href="#">30,000-Foot View</a> , <a href="#">Purpose Fuels Our Passion</a>	
2.8	<a href="#">Performance</a> , <a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	
2.9	<a href="#">Performance</a> , <a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	
2.10	<a href="#">Awards &amp; Accolades</a>	

Profile Disclosures	Page	Corresponding CDP Question <sup>2</sup>
<b>3. Report Parameters</b>		
3.1	<a href="#">GRI &amp; CDP</a>	
3.2	<a href="#">GRI &amp; CDP</a>	
3.3	<a href="#">GRI &amp; CDP</a>	
3.4	<a href="#">Our Mission/Contact Us</a>	
3.5	<a href="#">GRI &amp; CDP</a> , addressed throughout the report	
3.6	<a href="#">GRI &amp; CDP</a> , <a href="#">30,000-Foot View</a> , <a href="#">Purpose Fuels Our Passion</a>	
3.7	<a href="#">GRI &amp; CDP</a> , addressed throughout the report	
3.8	<a href="#">GRI &amp; CDP</a> , <a href="#">Performance</a>	
3.9	<a href="#">GRI &amp; CDP</a> , addressed throughout the report	
3.10		
3.11	<a href="#">GRI &amp; CDP</a> , addressed throughout the report	
3.12	<a href="#">GRI &amp; CDP Index</a>	
3.13	<a href="#">External Assurance</a>	CC8.6, CC8.7, CC14.2

Profile Disclosures	Page	Corresponding CDP Question <sup>2</sup>
<b>4. Governance, Commitments, and Engagement</b>		
4.1	<a href="#">Corporate Governance</a> , <a href="#">2014 Proxy Statement</a>	
4.2	<a href="#">Corporate Governance</a>	
4.3	<a href="#">Corporate Governance</a>	
4.4	<a href="#">Corporate Governance</a> , <a href="#">Our Mission/Contact Us</a> , <a href="#">Engagement and Recognition</a> , <a href="#">Customer Insights</a> , <a href="#">2014 Proxy Statement</a>	
4.5	<a href="#">Corporate Governance</a> , <a href="#">2014 Proxy Statement</a>	
4.6	<a href="#">Corporate Governance</a> , <a href="#">2014 Proxy Statement</a>	
4.7	<a href="#">Corporate Governance</a> , <a href="#">2014 Proxy Statement</a>	
4.8	<a href="#">Financial Management Approach</a> , <a href="#">Social Management Approach</a> , <a href="#">Environmental Management Approach</a> , <a href="#">Our Mission/Contact Us</a>	
4.9	<a href="#">Financial Management Approach</a> , <a href="#">Social Management Approach</a> , <a href="#">Environmental Management Approach</a> , <a href="#">2013 U.S. Securities and Exchange Commission Form 10-K</a>	CC1.1, CC2.1, CC2.2, CC2.3
4.10	<a href="#">Corporate Governance</a> , <a href="#">2014 Proxy Statement</a>	
4.11	Addressed throughout the report	
4.12	Addressed throughout the report	
4.13	Addressed throughout the report	
4.14	Addressed throughout the report	
4.15	Addressed throughout the report	
4.16	<a href="#">Corporate Governance</a> , <a href="#">Our Mission/Contact Us</a> , <a href="#">Engagement and Recognition</a> , <a href="#">Customer Insights</a> , <a href="#">2014 Proxy Statement</a>	
4.17	Addressed throughout the report	

# GRI & CDP Index

Profile Disclosures	Page	Corresponding CDP Question <sup>2</sup>
<b>Disclosures on Management Approach (DMAs)</b>		
DMA EC	<a href="#">Financial Management Approach</a>	
DMA EN	<a href="#">Environmental Management Approach</a>	
DMA LA	<a href="#">Social Management Approach</a>	
DMA HR	<a href="#">Social Management Approach</a>	
DMA SO	<a href="#">Social Management Approach</a>	
DMA PR	<a href="#">Social Management Approach</a>	

Performance Indicators		Page	Corresponding CDP Question <sup>2</sup>
Economic			
EC1	<a href="#">Performance, Employees, Communities, 2013 U.S. Securities and Exchange Commission Form 10-K</a>		CC5.1, CC6.1
EC2	<a href="#">Environmental Management Approach</a>		
EC3	<a href="#">Benefits</a>		
EC8	<a href="#">Communities, People Data</a>		
Environmental			
EN3	<a href="#">Energy Use, GHG Inventory, Planet Data</a>		CC11.2, CC11.3
EN4	<a href="#">Energy Use, GHG Inventory, Planet Data</a>		
EN5	<a href="#">Emissions Reductions, Energy Use, Planet Data</a>		CC11.2
EN6	<a href="#">Emissions Reductions</a>		
EN8	<a href="#">Water Consumption, Planet Data</a>		CC3.2
EN16	<a href="#">GHG Inventory, Planet Data</a>		
EN17	<a href="#">GHG Inventory<sup>3</sup></a>		CC7.1, CC7.2, CC7.3, CC7.4, CC8.1, CC8.2, CC8.3, CC8.5
EN18	<a href="#">Emissions Reductions</a>		
EN19	<a href="#">Environmental Management Systems</a>		
EN23	<a href="#">Regulatory Compliance</a>		

Performance Indicators	Page	Corresponding CDP Question <sup>2</sup>
<b>Social: Labor Practices and Decent Work</b>		
LA1	<a href="#">30,000-Foot View, People Data</a> , addressed throughout the report	
LA3	<a href="#">Benefits</a>	
LA4	<a href="#">Social Management Approach, People Data</a>	
LA10	<a href="#">Training, People Data</a>	
<b>Social: Human Rights</b>		
HR3	<a href="#">Social Management Approach, People Data</a>	
HR6	<a href="#">Social Management Approach</a>	
HR9	None	
<b>Social: Society</b>		
SO2	<a href="#">Corporate Governance</a>	
SO3	<a href="#">Corporate Governance</a>	
SO5	<a href="#">Social Management Approach</a>	
SO6	<a href="#">Social Management Approach, People Data</a>	
<b>Social: Product Responsibility</b>		
PR5	<a href="#">Customers, Social Management Approach</a>	

## APPENDIX

1) CDP responses for calendar year 2013 are due in May 2014 after the release of the 2013 One Report.

2) CDP 2014 Climate Change Information Request for Investors.

3) Partially reported.

# EXTERNAL ASSURANCE

May 14, 2014

## Assurance Statement for 2013 Southwest Airlines One Report™

### Southwest Airlines:

Burns & McDonnell Engineering Inc. (Burns & McDonnell) was retained by Southwest Airlines Co. (Southwest) to verify and provide external assurance that the *2013 Southwest Airlines One Report™* (2013 One Report) provides a balanced view of Southwest's triple bottom line profile for the reporting period and includes accurate data and information in line with the principles outlined in the Global Reporting Initiative (GRI) *Sustainability Reporting Guidelines* version 3.0. The purpose of this assurance engagement was to:

1. Assure the 2013 results of the Southwest GRI profile disclosures, disclosures on management approach and performance indicators contained in the 2013 One Report, including both qualitative and quantitative data.
2. Review the 2013 One Report to ensure Southwest has utilized the GRI G3 sustainability reporting framework to achieve a B+ application level.

In addition to the assurance of the GRI profile disclosures, disclosures on management approach and performance indicators, Burns & McDonnell also reviewed and assured additional 2013 material metrics and accomplishments presented in the 2013 One Report with the exception of information presented in Southwest's Annual Report on Form 10-K for year ending Dec. 31, 2013 and Southwest's 2014 Proxy Statement. The financial statements included in the 2013 Form 10-K have been audited by Southwest's independent auditor.

In order to complete external assurance of the 2013 One Report, Burns & McDonnell independently interviewed Southwest employees; obtained, analyzed and verified data; and conducted independent industry research and benchmarking to substantiate and support the statements contained in the report. The content, structure and presentation of the report were reviewed against the GRI guidelines to ensure conformation, and Burns & McDonnell utilized the *AA1000 Assurance Standard 2008* as frame of reference for assuring the report.

This review determined that Southwest has a systematic, documented, evidence-based reporting process in place. The 2013 One Report includes responses to a minimum of 20 performance indicators with at least one from each of the economic, social and environmental categories as well as addresses the required GRI profile disclosures and disclosures on management approach. The 2013 One Report provides a reasonable and balanced presentation of Southwest's triple bottom line performance.

To the best of our knowledge, we have found that Southwest has satisfactorily applied the GRI sustainability reporting framework. The content provided for the 2013 One Report meets the content and quality requirements of the *GRI Sustainability Reporting Guidelines* version 3.0 B+ application level.

Sincerely,



Candice Derks, LEED AP, GRI Certified  
Project Manager, Environmental Group  
Burns & McDonnell



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## OUR PURPOSE ▼

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

## OUR VISION ▼

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

## OUR VALUES ▼

### Live the Southwest Way

Warrior Spirit  
Servant's Heart  
Fun-LUVing Attitude

### Work the Southwest Way

Safety and Reliability  
Friendly Customer Service  
Low Costs

## OUR MISSION ▼

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

### To Our Employees

We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer.

### To Our Communities

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

### To Our Planet

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

### To Our Stakeholders

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

## CONTACT US ▼

For questions related to our *2013 Southwest Airlines One Report™*, including our commitment to our Performance, our People, and our Planet, please e-mail [green@wnco.com](mailto:green@wnco.com). For more information on our citizenship efforts, visit [southwest.com/citizenship](http://southwest.com/citizenship).

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