

Final Summary and Action Plan

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Introduction: Event Recap

In the final weeks of 2022, many travelers' holiday plans were disrupted by a winter storm that halted airline travel across the nation. Days of disruption from a weather event that affected all carriers became a winter preparedness and Crew Network event unique to Southwest Airlines. As a result, we let down both our Customers—and our People who heroically serve them.

Winter Storm Elliott was epic in scale, velocity, and duration. The result, over several days, was cascading and close-in flight cancellations in unprecedented numbers. It exceeded our ability to quickly and efficiently reschedule the airline, especially our Flight Crews. These scheduling issues led to further flight cancellations until we were able to reset the airline. While we were, and remain, well-prepared for winter weather throughout our nationwide system, the severity and magnitude of the storm was more sudden and severe than had been predicted and, thus, had a greater impact on our airport operations than planned.

Following these events, we conducted a thorough internal review, working with our Board of Directors, and engaged respected aviation consultancy Oliver Wyman for a third-party assessment. It has taken many weeks of work to sort through the complexity of contributing factors. Now, the root causes and lessons learned are guiding our efforts to make Southwest better prepared to handle truly extreme winter weather events as we move forward.

To mitigate the risk of future disruptions, we are investing in additional capabilities across the airline. Our actions will address everything from ground equipment to the volume of aircraft de-icing we can accomplish in the harshest conditions. We are improving how we communicate and align across multiple operational workgroups during disruptions, including strengthening our interconnected scheduling and operations systems so they function effectively in extreme circumstances. And we are making organizational changes to improve coordination among key divisions of the airline. Finally, we're reprioritizing and increasing investment in technology. In fact, we have \$1.3 billion budgeted for technology projects in 2023, which is about 25% higher than what we spent in 2019.

We hope these actions bring our Customers and our People trust and confidence in our approach to eliminate a repeat event. Southwest is a Company with more than five decades of success built around operational reliability, high-quality Customer Service, and legendary Hospitality—with our Customers, Employees, and the communities we serve.

Immediate Event Response

To reset the network and reunite available Flight Crews with aircraft, we significantly reduced the flight network to about 1,500 daily departures (from a holiday peak of ~4,000 a day) for a few days starting on Dec. 27, 2022. While resetting the schedule, Operational Teams coordinated ferrying aircraft to reposition the planes and to get available, and scheduled, Crews in places to resume a normal-sized operation on Dec. 30, 2022.

During the disruption, we worked proactively to communicate both to Customers and to Employees regarding the status of our operation, to share where Customers could go for assistance with re-accommodations, and to preview how we would recover our network operation. Simultaneously, our Government Affairs Team worked to keep both elected officials and regulatory agencies apprised of our plans to take care of our Customers and Employees.

With nearly two million Customers disrupted, we launched simultaneous and significant efforts to process and return luggage to travelers; receive and process requests for ticket refunds; and to receive, review, and process expense reimbursement requests. Among our immediate priorities was reuniting nearly 100,000 pieces of luggage with travelers whose trips had been canceled. Our internal Technology Team designed and deployed a QR code and online form to assist Customers with submitting bag claims which helped us identify luggage and get items returned.

We identified, trained, and equipped hundreds of Employees who volunteered to assist in the effort to help Customers. Automation was designed and deployed quickly to help speed-up processing of refund requests to meet our commitments and to keep us within federal timeline requirements for issuing refunds.

Customer Recovery

Refunds



>99%

Refund requests processed

Reimbursements



>99%

Reimbursement requests processed

Bags



>99%

Bags delivered or have a delivery plan with the Customer

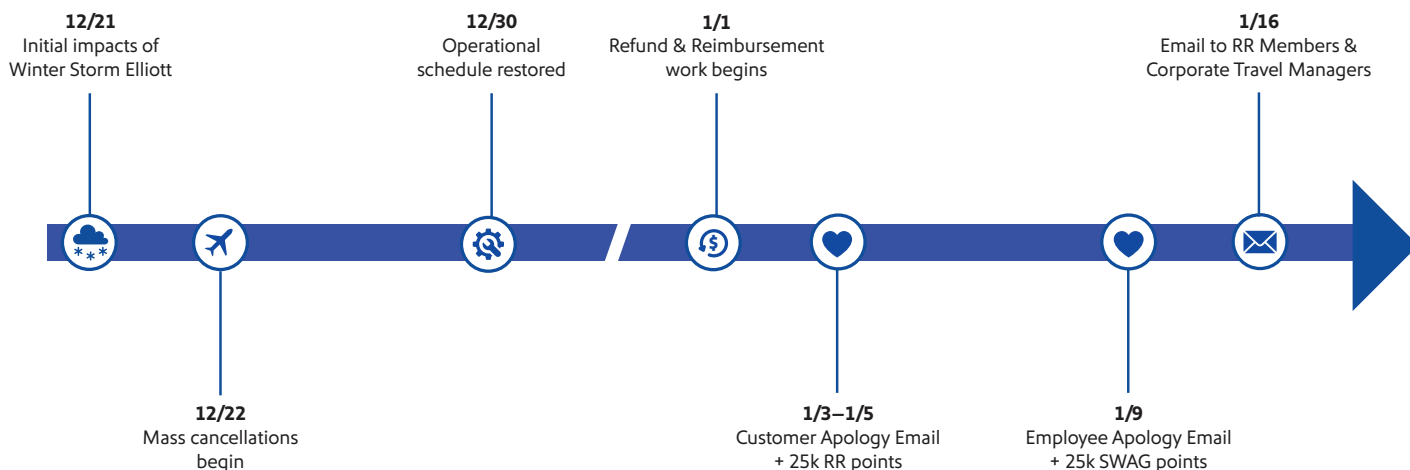
*Remaining bags are fewer than 100 and are either unclaimed or have no identification

Additionally, we issued impacted travelers a note of apology from our President and CEO, along with 25,000 points in our Rapid Rewards frequent flyer program, as a gesture of goodwill. Through late March 2023, nearly half of the impacted travelers either already have flown or have made a future booking with Southwest, and we are grateful for this indication of ongoing Customer loyalty.

To our Employees, true heroes throughout this operational disruption, our President and CEO sent a note to update them on progress for making things right with our Customers, and to brief them on the status of internal reviews. This outreach included a gesture of goodwill for 25,000 points in the Company's internal Southwest Airlines Gratitude (SWAG) incentive program. The program allows participating Employees to redeem points for merchandise, gift cards, and other items.

Winter Storm Elliott High Level Timeline

As operations stabilized, Teams transitioned from a focus on operational recovery into Customer recovery



Southwest stands apart from other air carriers with our Customer-friendly offerings such as being the only major U.S. airline that allows all Customers to check two bags for free (size and weight limits apply, of course) and has no expiration date for Customer flight credits (as long as the flight is canceled more than 10 minutes prior to the scheduled departure). Additionally, Southwest is long known for never charging fees when Customers change or cancel a flight, and Rapid Rewards Points never expire®. For Employees, Southwest is known for its legendary Culture and its unprecedented record of no involuntary furloughs or layoffs in its history. All of these elements are important to helping us rebuild relationships with those we let down.

Immediate Preventative Actions Taken

Southwest is committed to doing all we can to mitigate the risk of a repeat operational disruption on the magnitude of what happened in December 2022. Among the immediate preventative actions taken early in 2023:

- We identified and trained a group of Employees to provide **surge staffing** during extreme weather events to assist Crew Scheduling. These Employees can be quickly mobilized by a new notification process.
- We established a set of performance criteria in the form of an **upgraded leading-indicator dashboard** that will help Operational Teams evaluate things like worsening conditions and impending close-in flight cancellations to determine when to escalate an operational situation.
- Our vendor, which provides many airlines with their Crew optimization software, has already developed and provided a new solution to help us and other airlines to more efficiently work through a backlog of broken Crew schedules from flight cancellations. We have deployed Crew **Optimization software upgrade** and are developing a playbook regarding how and when to access solutions that the tool provides.
- We will continue to add to our existing tools for Crew Member **electronic communication to Crew Scheduling** during irregular operations.
- We also implemented **organizational changes** designed to improve coordination and communication between the Network Operations Control (NOC), Network Planning, and Crew Scheduling Teams.
- We began **internal reviews** to assess our readiness and capacity to manage severe winter operations, prioritizing Employee Safety during extreme or extended winter operations. This work will include evaluating new tools and equipment and exploring process improvements.
- We engaged Oliver Wyman, a noted consultancy with vast experience in aviation operations, to work with the Company to conduct a **third-party assessment** of the disruption and make recommendations on an action plan. The assessment included a deep dive into the disruption and more than 50 interviews with Union Representatives and Employees from Technology, Network Operations Control, and Crew Scheduling. Additionally, the assessment included visits to key airport locations, and a review of performance data and current-state processes and procedures.
- The Southwest Board of Directors created an Operations Review Committee to oversee management's review of the disruption and action planning.

Review Process and Key Findings

As soon as the operation was stabilized, internal working Teams began a department-by-department review of procedures, tools, processes, and playbooks. Our internal review along with the Oliver Wyman assessment were used to determine the key root causes of the event, lessons learned, and an action plan for the airline to follow.

Key Root Causes

- **Winter Operations:** We had insufficient winter infrastructure and equipment in key airport locations and faced staffing challenges from the need to rotate Employees outside in bitter winter weather conditions. These issues hindered our ability to keep our Flight Crew networks flowing from key Crew bases.
- **Cancellation Waves:** The pace and volume of close-in cancellations forced our aircraft and Crew Scheduling teams to rely on time-consuming manual processes that could not keep pace with the volume of individual scheduling issues.
- **Cross-Team Collaboration:** Compartmentalized communications and gaps in our process between important operational workgroups resulted in bottlenecks.

ACTION PLAN

Improve Winter Operations

(Infrastructure, equipment and winter preparedness)

In cities where severe weather can inhibit our operations and aircraft throughput, we are working to make critical equipment and infrastructure available in ample supply.

- **Deicing Trucks and Deicing Pads Increase**
 - Purchased additional trucks and adding “closed cab” trucks to use in extreme weather conditions
 - Securing additional deicing pads in Dallas, Denver, Chicago Midway, and Nashville to increase the volume of aircraft that can be deiced at any given time

- **Deicing Fluid Reserves Assessment**
 - o Conducting inventory of existing deicing fluid (glycol) capacity and will work to increase glycol storage capacity
- **Ground Equipment Assessment**
 - o Reviewing ground support equipment in airports with regular sub-zero temperatures to evaluate management of fuel during winter operations
 - o Evaluating ramp cleaning procedures to keep surfaces free of precipitation to the maximum extent possible
- **New Weather Application**
 - o Implementing new weather application to better gauge dynamic local weather conditions and determine liquid water equivalents to help Pilots know how much time they have to depart after an aircraft has been deiced
- **More Engine Covers and Heaters**
 - o Purchasing 200 additional engine inlet covers to protect engines and fan blades from icing and extreme temperatures, along with 16 additional field-use heaters to deter ground equipment from freezing in low overnight temperatures
- **Winter Staffing Level Checks**
 - o While we were fully staffed during the disruption, we are reassessing our winter staffing model to augment additional personnel at airports where deicing and rotating Ground Operations Employees are regular, seasonal occurrences due to extreme cold

Enhancing Cross-Team Collaboration (Processes, decisions and communication)

As the events of late December evolved from winter storm management into an operational crisis, objective criteria to escalate our response emerged as a need for Southwest.

- **Network Planning and Network Operational Control (NOC) Organizational Alignment**
 - o Implemented organizational change to align Network Planning (the function that plans the flight/route network) with Network Operations Control (the function responsible for executing the daily schedule/operation) under the same Senior Leader for increased operational efficiency
- **Alerting and Decision-Support Tools Refresh**
 - o Updated the leading indicators dashboard with more objective escalation criteria
 - o Enhanced alerting capabilities, documented escalation procedures, and established clear lines of communication among several operating groups to ensure solutions are explored collaboratively and with understanding of the connected impact of workgroup decisions
- **Aircraft and Crew Recovery Coordination**
 - o Upgrading network health dashboards to support the Network Operations Control, station command centers, and Crew Scheduling situational awareness and network visibility into performance data and operational status
 - o Creating a common escalation language and agreement on throughput capacity at airport locations being affected by extreme weather

Accelerating Other Operational Investments (Technology and tools for greater volume and pace)

Additional enhancements are planned based on Southwest's assessments.

- **Crew Optimization Software Upgrade**
 - o Developed an upgrade that was tested and deployed to help Crew Schedulers with re-accommodation solutions in future irregular operations lessening the need to resort to manual processes
- **Crew Notification Enhancements**
 - o Enhancing electronic Crew notification and acknowledgement system and upgrading Crew phone system
- **Customer Support & Services Phone System Stability**
 - o Upgrading Customer communication tools with additional phone capacity to amplify services during surge periods
- **System Recovery Function Enhancements**
 - o Strengthen alignment between recovery tools to improve time to implement solutions during extreme weather events

Our Ongoing Commitment

There's a saying that character is revealed by what a person says and what a person does. Same goes for a company. We know we have work to do to repair confidence in those whose travel plans were disrupted, and we are off to a great start in 2023—holding the #2 spot in on time performance year-to-date through March.

Simply put, we have a nearly 52-year history of serving our Customers, Employees, and communities safely and with LUV. We will not allow a week in December to define us; but we will continue to learn from what happened and be better because of it.

Cautionary Statement Regarding Forward-Looking Statements
This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Specific forward-looking statements include, without limitation, statements related to (i) the Company's plans to improve winter operations and boost operational resiliency, including through assessments of, and investments in, ground equipment, deicing pads, trucks, and materials; new weather application; engine covers and heaters; and winter staffing levels; (ii) the Company's plans to boost operational resiliency through enhanced cross-team collaboration, including through strengthening interconnected network planning and scheduling and operations control systems, improving coordination among key divisions of the airline, refreshing alerting and decision support tools, and improving recovery coordination for aircraft and crew; (iii) the Company's plans to boost operational resiliency through the acceleration of operational investments, including upgrading crew notification and scheduling systems, streamlining crew notifications and upgrading crew phone systems, upgrading customer communication tools, and enhancing systems recovery functions; (iv) the Company's plans and expectations with respect to capital spending and other investments in technology, including factors and assumptions underlying the Company's plans and expectations; (v) the Company's action plan in response to the operational disruption, including with respect to the expected action plan components and enhancements, the anticipated timing of the action plan, and the goals and expected results of the action plan; (vi) the Company's strategic priorities and initiatives, including with respect to its focus areas; and (vii) the Company's expectations regarding mitigation of risk of future operational disruptions. These forward-looking statements are based on the Company's current estimates, intentions, beliefs, expectations, goals, strategies, and projections for the future and are not guarantees of future performance. Forward-looking statements involve risks, uncertainties, assumptions, and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them. Factors include, among others, (i) the Company's ability to timely and effectively implement, transition, and maintain the necessary information technology systems and infrastructure to support its operations and initiatives; (ii) the Company's dependence on third parties, in particular with respect to its tactical action plans, its technology related to operational resiliency, collaboration between aircraft and crew network systems, and the impact on the Company's operations and results of operations of any third party delays or non-performance; (iii) the Company's dependence on its workforce, including its ability to employ sufficient numbers of qualified Employees to effectively and efficiently maintain its operations; (iv) the Company's ability to timely and effectively prioritize its initiatives and focus areas and related expenditures; (v) the impact of labor matters on the Company's business decisions, plans, and strategies; (vi) the impact of governmental regulations and other governmental actions on the Company's business plans and operations; (vii) the impact of fears or actual outbreaks of diseases, extreme or severe weather and natural disasters, actions of competitors, consumer perception, economic conditions, fears of terrorism or war, socio-demographic trends, and other factors beyond the Company's control, on consumer behavior and the Company's results of operations and business decisions, plans, strategies, and results; 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, 2022.

Action Plans: Improving Winter Operations

Updated as of July 26, 2023

	Completed	On track for Winter 2023
Deicing Trucks and Deicing Pads Increase		✓
Deicing Fluid Reserves Assessment		✓
Ground Equipment Assessment		✓
New Weather Application		✓
More Engine Covers and Heaters	✓	
Winter Staffing Level Checks		✓

Accelerating Operational Investments

	Completed	On track for Winter 2023
Crew Optimization Software Upgrade	✓	
Crew Notification Enhancements		✓
Customer Support & Services Phone System Stability	✓	
System Recovery Function Enhancements		✓

Enhancing Cross-Team Collaboration

	Completed	On track for Winter 2023
Network Planning and Network Operational Control (NOC) Organizational Alignment	✓	
Alerting and Decision-Support Tools Refresh	✓	
Aircraft and Crew Recovery Coordination		✓