

QUESTIONS FROM DWS INVESTMENT GMBH  
Southwest Airlines Co.  
ANNUAL MEETING OF SHAREHOLDERS  
10<sup>TH</sup> OF MAY 2023  
INTENDED FOR ONLINE PUBLICATION



Southwest Airlines Co.  
ANNUAL MEETING OF SHAREHOLDERS  
**17<sup>TH</sup> OF MAY 2023**  
QUESTIONS FROM DWS INVESTMENT GMBH

Dear Mr Kelly,  
Dear Mr Jordan,  
Dear Mr Cunningham,  
Dear members of the board,

DWS Investment GmbH (DWS) is one of the largest asset managers in Europe. As a responsible investor in Southwest Airlines Co., it is part of our fiduciary duty to express our expectations in the best interest of our clients. Our commitment to environmental, social and governance practices (ESG) is a crucial element of our responsibilities and forms an integral part of our investment process.

Ahead of your 2023 annual general meeting of shareholders (AGM), we would like to share our questions with you. We would appreciate your answers in written form. Please note that we will also share our questions on our website ([www.dws.com](http://www.dws.com)) on the day of your AGM. Thank you for your consideration.

## **Independence**

According to our policy, we view directors with 11+ years to be no longer independent. We also hold an independent audit committee chair and lead independent director as particularly important, the latter especially when the roles of chair and CEO are combined. Taking tenure into account, we view the overall board composition and certain key committees as no longer independent.

**QUESTION 1: When can we expect Southwest Airlines to introduce new directors, with fresh perspectives, to balance the overall board composition as well as the balance of all key committees? If not, could you please provide us with your rationale?**

We expect our Investee Companies to incorporate gender diversity into their composition and refreshment processes and to adhere to national best practice stipulations on gender representation. For developed markets, we believe 30% to be an adequate level. Based on this standard, we consider the board is not sufficiently gender diverse.

**QUESTION 2: Do you have any goals and/or plans to increase the gender diversity on the board in near future?**

## **Auditor**

DWS acknowledges that the objectivity and criticality of auditors can be impeded due to long tenure. We therefore expect companies to rotate their auditors after ten years. The current audit firm's tenure is 51 years.

**QUESTION 3: How do you evaluate and ensure the objectivity and independence of the audit firm after a long tenure? Would you consider a rotation of the audit firm in the near term?**

**QUESTION 4: Would you be willing to commit to a regular audit tender process?**

## **Net Zero**

Corporations and investors have a key role to play towards the need for emissions to be reduced in the mutual goal of coping with the impacts of global warming. In this regard, we support the Climate Action 100+ and the Net Zero Asset Managers initiatives with the aim to enhance the governance of climate change risk and opportunities, to curb emissions and to strengthen climate-related financial disclosures.

In early 2023, Southwest Airline refreshed its climate strategy, and has set two near-term carbon intensity reduction targets: 50% reduction in carbon emissions intensity from 2019 baseline by 2035, with interim reduction of 25% by 2030. The Company states that its new 2035 carbon intensity reduction target is based on scientific models that are in alignment with the goals of the Paris Agreement to limit warming to well below 2 degrees Celsius and pursue efforts to limit it to 1.5 degrees Celsius.

**QUESTION 5: Does the company have any near-term plans to align its decarbonisation targets with the Science-Based Targets initiative (SBTi) and validate its targets by SBTi to ensure their scientific rigor and credibility?**

In "2022 One Report" the Company states that the compensation for Executive Officers is tied to the Company's performance with respect to ESG initiatives such as Diversity, Equity, and Inclusion and Environmental Sustainability.

**QUESTION 6: Can you provide information how the Executive's compensation is tied to the achievement of climate strategy and carbon reduction targets? Are there any climate metrics considered among ESG Initiatives in the Management Short-term Incentive Scorecard?**

Fleet modernization is one of the key measures for the company to reduce CO2 emissions. Southwest Airlines has commitment to modernize its fleet with more fuel-efficient Boeing 737 aircraft. In 2022, the company took delivery of sixty-eight new aircrafts, and, in addition, twenty-six old aircrafts were retired.

**QUESTION 7: What is the status of the fleet modernization? Do you expect the planned order and replacement of aircraft to be fully implemented in 2023?**

## **Labor Management Relations**

Last year, the company faced protests by pilots and flight attendants' unions demanding better working conditions and pay amid delayed contract negotiations.

**QUESTION 8: Can you provide an update on the progress of negotiations between the company and labor unions regarding improvement of the working conditions?**

**QUESTION 9: Does the company have established long-term mechanisms for ongoing dialogue with trade unions to proactively address challenges and prevent escalation in the future?**

Thank you in advance for your answers.