

Southwest Airlines[®]

Voluntary Separation Program 2020 and COVID-19 Extended Emergency Time Off

Updated as of June 1, 2020

As Southwest Airlines Employees, we have been gifted with an incredible heritage. One that puts our Employees first, and is at the heart of every decision we make. Given our current situation, my number one goal is to protect the future of Southwest Airlines and do my best to provide job security for our Employees. With the significant reduction in demand, and projections for a slow recovery, and in an effort to avoid involuntary furloughs or layoffs, we are introducing voluntary programs to help align our staffing numbers with demand for our business. This includes Voluntary Time Off Programs as well as a Voluntary Separation Program (VSP 2020). These programs are critical components to voluntarily reduce our workforce so that we can preserve the long-term viability of our Company.

I value Team and Family. All of our functions are essential, but given our planned smaller schedule and network, we are overstaffed and may continue to be overstaffed for the next several years. Our most recent update last week is that business in May, or operating revenues, is down 85 to 90 percent year over year. And even though we have seen modest improvement in travel demand, we currently have parked almost 400 aircraft and have reduced our capacity onboard to no more than 65% through July to allow for physical distancing. It is clear that for the near future we are currently overstaffed. It's imperative that we bring our Employee numbers down, voluntarily. While we can't control the pandemic, the economy, or Customer demand, we can take meaningful measures to cut our spending and conserve cash as much and as quickly as possible.

As you know, every Southwest role is important and unique. Each plays a different part in our operation. Therefore, eligibility and program rules will differ by workgroup given current staffing levels and projected future staffing needs. Know that we are taking every action possible to protect the Southwest Family and jobs, but the imperative here is to ensure our Company's survival. Read on to gain a high-level overview of these very generous programs, and I thank you for considering these options.



Gary C. Kelly



Introducing Voluntary Programs

Specific program details will vary by workgroup, depending on projected staffing needs.

Voluntary Time Off Programs

COVID -19 Extended ETO

Eligible Employees who wish to continue their employment but take long-term time off will have the opportunity for COVID-19 Extended Emergency Time Off (ExTO), which will be available to Contract Employees, specified Frontline Supervisors, and Noncontract positions or workgroups (on an exception basis).

ExTO will be available for a minimum of six months, and maximum time will vary by workgroup. Southwest may return Employees to work earlier if needed for operational needs.

ExTO will include continuation of all benefits, travel privileges, and healthcare. ExTO will also include partial pay during each month off. Specific rates for ExTO will vary by workgroup.

Program details and high-level ExTO FAQs are available at **SWALife >Employee Services >My Work Events**. Workgroup-specific FAQs will be provided in workgroup-specific channels. Employees who wish to take voluntary ExTO should follow the same process as outlined by your department for COVID-19 Emergency Time Off (ETO) as soon as possible, but **no later than 11:59 p.m. CT on July 15, 2020**.

We will also continue to offer monthly ETO and daily TOWOP/LWOP opportunities on an as needed basis as applicable by workgroup.

Voluntary Separation Program 2020

Employees who wish to permanently separate from the Company will be provided with a generous package. Nearly all workgroups will have the opportunity to participate in VSP 2020.

Those who choose voluntary separation from the Company will receive a generous cash payment, travel privileges for four years (unless they qualify for lifetime Retiree privileges), and will receive one year of Company-paid health coverage through COBRA (unless they qualify for Retiree healthcare).

Program details, terms & conditions, and FAQs are available at **SWALife >Employee Services >My Work Events**. Employees who wish to elect to voluntarily separate from the Company will complete the process electronically at **SWALife >Employee Services >My Work Events >Voluntary Separation Program 2020 (VSP 2020)** and must complete the Voluntary Separation Program Election and Release online form **no later than 11:59 p.m. CT on July 15, 2020**.

These programs may be appealing for Employees who

- ✔ Are considering retirement within the next few years
- ✔ Would like to go back to school or focus on a hobby
- ✔ Would like to spend more time with children or grandchildren
- ✔ Are caring for a parent or loved one long-term
- ✔ Are interested in a sabbatical or taking time to learn a new skill
- ✔ Have an interest in taking time away from work or would prefer to not work during this time

Considerations



This is the most generous buyout package in our history.



We have worked to make this package as appealing as we can afford.



We are taking every action possible to protect the Southwest Family and job security to the greatest extent we can.



The circumstances today are far different from those around previous departure programs. This is to ensure the long-term success of Southwest Airlines while avoiding furloughs or layoffs.



Even with these offerings, we can't guarantee that we won't have to lay off or furlough Employees in the future. We are offering this program to take voluntary steps FIRST.

These offers, both for the **Extended Emergency Time Off** and the **Voluntary Separation Package** are customized by workgroup to align with projected staffing levels for fall of 2020 and beyond. They are tailored to specifics for each work group related to variable items such as mandatory retirement age, training requirements, career transferability, along with projected future staffing needs.

Heading into the fall, we have planned to reduce our capacity by about 30 percent. While this number may change, that is our current plan. While overstaffing isn't tied 100 percent to capacity levels, it would be fair to assume that we are overstaffed in many areas at a similar percentage.

Contract Employees under a CBA and Frontline Supervisors

	Extended ETO (ExTO)	Voluntary Separation (VSP)	
		Resigning	Retiring
Eligibility	Active Contract Employees (excluding Pilots) and Frontline Supervisors as offered	All Contract Employees (excluding Pilots) and all Frontline Supervisors	
Compensation	Employees taking ExTO will receive 50% of their base pay each month	<p>Separation compensation will vary depending on workgroup and years of service.</p> <p>Payments are based on a set number of hours, annual salary, or TFP, depending on the workgroup.</p> <p>Cash paid at separation is based on years of service as of October 1, 2020:</p> <p>10+ Years: 12 months of base pay or 960 TFP for Flight Attendants</p> <p>Less than 10 Years: Two weeks pay (or 36.92 TFP for Flight Attendants) PLUS two additional weeks pay (36.92 TFP) for each completed year of service up to a max of 16 weeks (max 295.36 TFP).</p> <p>All accrued and unused vacation or PTO will be paid.</p>	
Timeframe	<p>ExTO may be taken in terms of 6, 12, or 18 months. Timeframe offered may vary by workgroup</p> <p>Employees who take 12 or 18 months ExTO and who have 10+ years of service as of October 1, 2020 can elect to convert to a Voluntary Separation.</p> <p>Note that ongoing LWOP/TOWOP and monthly ETO offerings will continue on an as-needed basis as applicable by workgroup.</p>	Final date of employment will vary by individual and workgroup, to be assigned by Southwest between August 15 and October 1, 2020.	
Health Benefits	Continued active healthcare	If enrolled for healthcare prior to separation, those who separate will receive 12 months Company-paid COBRA medical and dental.	<p>Retiree healthcare coverage if applicable or the choice of 12 months Company-paid COBRA medical and dental.</p> <p>Retiree healthcare eligibility varies significantly by workgroup.</p>
Travel Privileges	<p>Continued active pass privileges</p> <p>Years of service toward Retiree pass privileges will continue to accrue while on ExTO</p>	If not retirement eligible, 48 months space available pass privileges on Southwest Airlines	Retiree pass privileges, if qualified. (At least 10 years of service + age as of October 1, 2020 = 65)

*Employees awarded ExTO are required to remain on ExTO for the full duration of their selected term. The Company retains the right to require Employees on ExTO to return to work whenever the Company deems necessary to support the operation.

	Extended ETO (ExTO)	Voluntary Separation (VSP)	
		Resigning	Retiring
Eligibility	Active Pilots	Any Pilot who is an active Employee as of June 1, 2020.	
Compensation	55 TFP monthly	67 TFP monthly for five years or until age 65 (whichever comes first). The 67 TFP is not eligible for the retirement Non-Elective Contribution (NEC). All vacation paid out upon separation	
Timeframe	ExTO for Pilots will be available in terms of six months, and 1, 2, 3, 4, or 5 years* Note that ongoing monthly ETO offerings will continue on an as-needed basis as applicable by workgroup.	Final date of employment will vary by individual, to be assigned by Southwest by August 31, 2020 subject to planning capabilities.	
Health Benefits	Continued active healthcare	Health care options for Pilots are based on age. Pilots under age 55 will receive 12 months Company-paid COBRA medical and dental. Pilots over age 55 will continue their active medical and dental on a Benefits Plus Plan for five years or age 65 whichever comes first. After that, they will have the option for Retiree healthcare.	
Travel Privileges	Continued active pass privileges	If not retirement eligible, 48 months space available pass privileges on Southwest Airlines	Retiree pass privileges, if qualified. (At least 10 years of service + age as of October 1, 2020 = 65)

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Noncontract Employees

	Extended ETO (ExTO)	Voluntary Separation (VSP)	
		Resigning	Retiring
Eligibility	ExTO availability for Noncontract Employees will only be offered on an exception basis for specific roles.	All Noncontract Employees excluding Frontline Supervisors and Directors who are not eligible for retirement. (Note: Frontline Supervisors should refer to program details for Contract Employees and Frontline Supervisors)	
Compensation	If eligible, 50% of base pay monthly	Cash payment based on years of service as of October 1, 2020: 0-4 years —1 month pay per year of service 5-9 years —6 months' pay 10+ years —12 months' pay All PTO paid out upon separation	
Timeframe	If offered for Noncontract positions, ExTO may be available for a six-month term* Noncontract Employees who take ExTO will not have the option to convert to VSP at the end of their ExTO term. Note that ongoing TOWOP and monthly ETO offerings will continue on an as-needed basis as applicable by workgroup.	Final date of employment will vary by individual and workgroup, to be assigned by Southwest between August 15 and October 1, 2020.	
Health Benefits	Continued active healthcare	If enrolled for healthcare prior to separation, those who separate will receive 12 months Company-paid COBRA medical and dental.	Retiree healthcare coverage if applicable or the choice of 12 months Company-paid COBRA medical and dental.
Travel Privileges	Continued active pass privileges	If not retirement eligible, 48 months space available pass privileges on Southwest Airlines	Retiree pass privileges, if qualified. (At least 10 years of service + age as of October 1, 2020 = 65)

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