

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Asset Class (U.S. Plans)	Fair Value	Actual %	Plan Assets at Measurement Date			
			Target Range % ⁽¹⁾	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	\$ 570	2%	0 - 5%	\$ 50	\$ 520	
Equities			30 - 50			
U.S. large cap equity ⁽²⁾	2,546	11		875		
International equities ⁽²⁾	3,306	14		2,700		
Global equities ⁽²⁾	1,451	6				
U.S. SMID cap equity	731	3		730	1	
Fixed income securities			50 - 70			
Corporate	6,794	29			6,794	
Government ⁽²⁾	5,384	23			3,742	
Mortgage-backed and other ⁽²⁾	622	3			175	
Alternative investments ⁽²⁾	1,963	9	0 - 15			\$ 302
Other	(47)	—		(45)	(2)	
Total U.S. plan assets	<u>\$ 23,320</u>	<u>100%</u>		<u>\$ 4,310</u>	<u>\$ 11,230</u>	<u>\$ 302</u>
Asset Class (International Plans)						
Cash and cash equivalents	\$ 57	4%		\$ 57		
Equities						
International equities ⁽²⁾	72	5				
Global equities ⁽²⁾	206	15				
Fixed income securities						
Corporate ⁽²⁾	322	24				
Government ⁽²⁾	438	32		290		
Mortgage-backed and other ⁽²⁾	167	12				
Other ⁽²⁾	112	8		10	\$ 17	
Total international plan assets	<u>\$ 1,374</u>	<u>100%</u>		<u>\$ 357</u>	<u>\$ 17</u>	

(1) Target ranges have not been provided for international plan assets as they are managed at an individual country level.

(2) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy but are included in the total.

The change in fair value of Level 3 assets that use significant unobservable inputs is shown in the table below (in millions):

	U.S. Pension Plans	
	2020	2019
Balance at beginning of year	\$ 302	\$ 209
Actual return on plan assets:		
Assets held during current year	19	11
Assets sold during the year	16	13
Purchases, sales and settlements	79	69
Balance at end of year	<u>\$ 416</u>	<u>\$ 302</u>

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The following tables provide a reconciliation of the changes in the pension and postretirement healthcare plans' benefit obligations and fair value of assets over the two-year period ended May 31, 2020 and a statement of the funded status as of May 31, 2020 and 2019 (in millions):

	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2020	2019	2020	2019	2020	2019
Accumulated Benefit Obligation ("ABO")	<u>\$ 29,272</u>	<u>\$ 25,915</u>	<u>\$ 2,012</u>	<u>\$ 2,084</u>		
Changes in PBO and Accumulated Postretirement Benefit Obligation ("APBO")						
PBO/APBO at the beginning of year	\$ 26,554	\$ 22,653	\$ 2,301	\$ 2,167	\$ 1,221	\$ 955
Service cost	768	689	96	94	42	35
Interest cost	1,000	951	43	49	44	40
Actuarial loss (gain)	2,817	3,016	(87)	127	85	266
Benefits paid	(940)	(755)	(41)	(38)	(127)	(123)
Settlements	—	—	(6)	(13)	—	—
Other	—	—	(64)	(85)	49	48
PBO/APBO at the end of year	<u>\$ 30,199</u>	<u>\$ 26,554</u>	<u>\$ 2,242</u>	<u>\$ 2,301</u>	<u>\$ 1,314</u>	<u>\$ 1,221</u>
Change in Plan Assets						
Fair value of plan assets at the beginning of year	\$ 23,320	\$ 22,057	\$ 1,578	\$ 1,509	\$ —	\$ —
Actual return on plan assets	3,530	984	146	94	—	—
Company contributions	1,068	1,034	86	91	77	73
Benefits paid	(940)	(755)	(41)	(38)	(127)	(123)
Settlements	—	—	(6)	(13)	—	—
Other	—	—	(50)	(65)	50	50
Fair value of plan assets at the end of year	<u>\$ 26,978</u>	<u>\$ 23,320</u>	<u>\$ 1,713</u>	<u>\$ 1,578</u>	<u>\$ —</u>	<u>\$ —</u>
Funded Status of the Plans	<u>\$ (3,221)</u>	<u>\$ (3,234)</u>	<u>\$ (529)</u>	<u>\$ (723)</u>	<u>\$ (1,314)</u>	<u>\$ (1,221)</u>
Amount Recognized in the Balance Sheet at May 31:						
Noncurrent asset	\$ —	\$ —	\$ 142	\$ 82	\$ —	\$ —
Current pension, postretirement healthcare and other benefit obligations	(38)	(70)	(17)	(16)	(104)	(87)
Noncurrent pension, postretirement healthcare and other benefit obligations	(3,183)	(3,164)	(654)	(789)	(1,210)	(1,134)
Net amount recognized	<u>\$ (3,221)</u>	<u>\$ (3,234)</u>	<u>\$ (529)</u>	<u>\$ (723)</u>	<u>\$ (1,314)</u>	<u>\$ (1,221)</u>
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost:						
Prior service (credit) cost and other	\$ (68)	\$ (173)	\$ (7)	\$ (6)	\$ 1	\$ 1

Our pension plans included the following components at May 31 (in millions):

	PBO	Fair Value of Plan Assets	Funded Status
2020			
Qualified	\$ 30,004	\$ 26,978	\$ (3,026)
Nonqualified	195	—	(195)
International Plans	2,242	1,713	(529)
Total	<u>\$ 32,441</u>	<u>\$ 28,691</u>	<u>\$ (3,750)</u>
2019			
Qualified	\$ 26,300	\$ 23,320	\$ (2,980)
Nonqualified	254	—	(254)
International Plans	2,301	1,578	(723)
Total	<u>\$ 28,855</u>	<u>\$ 24,898</u>	<u>\$ (3,957)</u>

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The table above provides the PBO, fair value of plan assets and funded status of our pension plans on an aggregated basis. The following tables present our plans on a disaggregated basis to show those plans (as a group) whose assets did not exceed their liabilities. The fair value of plan assets for pension plans with a PBO or ABO in excess of plan assets at May 31 were as follows (in millions):

	PBO Exceeds the Fair Value of Plan Assets	
	2020	2019
U.S. Pension Benefits		
Fair value of plan assets	\$ 26,978	\$ 23,320
PBO	(30,199)	(26,554)
Net funded status	<u>\$ (3,221)</u>	<u>\$ (3,234)</u>
International Pension Benefits		
Fair value of plan assets	\$ 205	\$ 1,125
PBO	(876)	(1,929)
Net funded status	<u>\$ (671)</u>	<u>\$ (804)</u>
	ABO Exceeds the Fair Value of Plan Assets	
	2020	2019
U.S. Pension Benefits		
ABO ⁽¹⁾	\$ (29,272)	\$ (25,915)
Fair value of plan assets	26,978	23,320
PBO	(30,199)	(26,554)
Net funded status	<u>\$ (3,221)</u>	<u>\$ (3,234)</u>
International Pension Benefits		
ABO ⁽¹⁾	\$ (637)	\$ (1,709)
Fair value of plan assets	175	1,120
PBO	(840)	(1,925)
Net funded status	<u>\$ (665)</u>	<u>\$ (805)</u>

⁽¹⁾ ABO not used in determination of funded status.

Contributions to our U.S. Pension Plans for the years ended May 31 were as follows (in millions):

	2020	2019
Required	\$ —	\$ —
Voluntary	1,000	1,000
	<u>\$ 1,000</u>	<u>\$ 1,000</u>

For 2021, no pension contributions are required for our U.S. Pension Plans as they are fully funded under the Employee Retirement Income Security Act.

Net periodic benefit cost for the three years ended May 31 were as follows (in millions):

	U.S. Pension Plans			International Pension Plans			Postretirement Healthcare Plans		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Service cost	\$ 768	\$ 689	\$ 679	\$ 96	\$ 94	\$ 97	\$ 42	\$ 35	\$ 36
Interest cost	1,000	951	1,115	43	49	49	44	40	39
Expected return on plan assets	(1,601)	(1,505)	(1,624)	(52)	(47)	(46)	—	—	—
Amortization of prior service credit	(105)	(118)	(118)	(2)	(2)	(2)	—	—	(1)
Actuarial losses (gains) and other	888	3,537	37	(179)	80	(38)	85	265	(9)
Net periodic benefit cost	<u>\$ 950</u>	<u>\$ 3,554</u>	<u>\$ 89</u>	<u>\$ (94)</u>	<u>\$ 174</u>	<u>\$ 60</u>	<u>\$ 171</u>	<u>\$ 340</u>	<u>\$ 65</u>

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Amounts recognized in other comprehensive income were primarily related to amortization of prior service cost in our U.S. Pension Plans of \$105 million in 2020 and \$118 million in 2019 (\$80 million, net of tax, in 2020 and \$91 million, net of tax, in 2019).

Benefit payments, which reflect expected future service, are expected to be paid as follows for the years ending May 31 (in millions):

	U.S. Pension Plans	International Pension Plans	Postretirement Healthcare Plans
2021	\$ 1,008	\$ 50	\$ 104
2022	1,093	46	113
2023	1,154	51	121
2024	1,242	57	126
2025	1,331	62	120
2026-2030	7,967	414	433

These estimates are based on assumptions about future events. Actual benefit payments may vary significantly from these estimates.

Future medical benefit claims costs are estimated to increase at an annual rate of 5.70% during 2021, decreasing to an annual growth rate of 4.50% in 2037 and thereafter.

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NOTE 14: BUSINESS SEGMENTS AND DISAGGREGATED REVENUE

FedEx Express, FedEx Ground and FedEx Freight represent our major service lines and, along with FedEx Services, constitute our reportable segments. Our reportable segments include the following businesses:

FedEx Express Segment	FedEx Express (express transportation) TNT Express (international express transportation, small-package ground delivery and freight transportation) FedEx Custom Critical Inc. (“FedEx Custom Critical”) (time-critical transportation)
FedEx Ground Segment	FedEx Ground (small-package ground delivery)
FedEx Freight Segment	FedEx Freight (LTL freight transportation)
FedEx Services Segment	FedEx Services (sales, marketing, information technology, communications, customer service, technical support, billing and collection services and back-office functions)

Effective June 1, 2019, the results of the FedEx Office operating segment are included in “Corporate, other and eliminations.” This change was made to reflect our internal management reporting structure. Prior year amounts have been revised to reflect current year presentation.

Effective March 1, 2020, the results of FedEx Custom Critical are included in the FedEx Express segment prospectively as the impact to prior periods was not material. This change was made to reflect our internal management reporting structure.

FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative and information-technology functions in shared services operations that support our transportation businesses and allow us to obtain synergies from the combination of these functions. For the international regions of FedEx Express, some of these functions are performed on a regional basis and reported by FedEx Express in their natural expense line items. The FedEx Services segment includes FedEx Services, which provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services for U.S. customers of our major business units and certain back-office support to our other companies.

The FedEx Services segment provides direct and indirect support to our operating segments, and we allocate all of the net operating costs of the FedEx Services segment to reflect the full cost of operating our transportation businesses in the results of those segments. We review and evaluate the performance of our transportation segments based on operating income (inclusive of FedEx Services segment allocations). For the FedEx Services segment, performance is evaluated based on the impact of its total allocated net operating costs on our operating segments.

Operating expenses for each of our transportation segments include the allocations from the FedEx Services segment to the respective transportation segments. These allocations also include charges and credits for administrative services provided between operating companies. The allocations of net operating costs are based on metrics such as relative revenue or estimated services provided. We believe these allocations approximate the net cost of providing these functions. Our allocation methodologies are refined periodically, as necessary, to reflect changes in our businesses.

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Other Intersegment Transactions

Corporate and other includes corporate headquarters costs for executive officers and certain legal and finance functions, as well as certain other costs and credits not attributed to our core business. These costs are not allocated to the other business segments.

Also included in corporate and other is the FedEx Office operating segment, which provides an array of document and business services and retail access to our customers for our package transportation businesses, and the FedEx Logistics operating segment, which provides integrated supply chain management solutions, specialty transportation, customs brokerage and global ocean and air freight forwarding.

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenue of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenue and expenses are eliminated in our consolidated results and are not separately identified in the following segment information, because the amounts are not material.

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The following table provides a reconciliation of reportable segment revenue, depreciation and amortization, operating income (loss) and segment assets to consolidated financial statement totals (in millions) for the years ended or as of May 31:

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Corporate, other and eliminations	Consolidated Total
Revenue						
2020	\$ 35,513	\$ 22,733	\$ 7,102	\$ 22	\$ 3,847	\$ 69,217
2019	37,331	20,522	7,582	22	4,236	69,693
2018	36,172	18,395	6,812	28	4,043	65,450
Depreciation and amortization						
2020	\$ 1,894	\$ 789	\$ 381	\$ 413	\$ 138	\$ 3,615
2019	1,801	728	332	355	137	3,353
2018	1,679	681	296	308	131	3,095
Operating income (loss)						
2020 ⁽¹⁾	\$ 996	\$ 2,014	\$ 580	\$ —	\$ (1,173)	\$ 2,417
2019 ⁽²⁾	2,176	2,663	615	—	(988)	4,466
2018 ⁽³⁾	2,172	2,556	490	—	(946)	4,272
Segment assets⁽⁴⁾						
2020	\$ 41,252	\$ 24,700	\$ 6,434	\$ 7,285	\$ (6,134)	\$ 73,537
2019	33,247	17,561	4,736	6,061	(7,202)	54,403
2018	31,753	15,458	4,251	5,501	(4,633)	52,330

⁽¹⁾ Includes TNT Express integration expenses of \$270 million. These expenses are included in “Corporate, other and eliminations” and the FedEx Express segment. Also includes noncash goodwill and other asset impairment charges of \$435 million primarily related to goodwill impairment at FedEx Office and from the decision to permanently retire certain aircraft and related engines at FedEx Express.

⁽²⁾ Includes TNT Express integration expenses (including restructuring charges) of \$388 million. These expenses are included in “Corporate, other and eliminations” and the FedEx Express segment. Also includes business realignment costs of \$320 million included in “Corporate, other and eliminations” and costs incurred in connection with the settlement of a legal matter involving FedEx Ground of \$46 million.

⁽³⁾ Includes TNT Express integration expenses (including restructuring charges) of \$477 million. These expenses are included in “Corporate, other and eliminations” and the FedEx Express segment. Also includes goodwill and other asset impairment charges of \$380 million included in “Corporate, other and eliminations.”

⁽⁴⁾ Segment assets include intercompany receivables.

The following table provides a reconciliation of reportable segment capital expenditures to consolidated totals for the years ended May 31 (in millions):

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Other	Consolidated Total
2020	\$ 3,560	\$ 1,083	\$ 539	\$ 527	\$ 159	\$ 5,868
2019	3,550	808	544	440	148	5,490
2018	3,461	1,178	490	411	123	5,663

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The following table presents revenue by service type and geographic information for the years ended or as of May 31 (in millions):

	2020	2019 ⁽¹⁾	2018 ⁽¹⁾
REVENUE BY SERVICE TYPE			
FedEx Express segment:			
Package:			
U.S. overnight box	\$ 7,234	\$ 7,663	\$ 7,273
U.S. overnight envelope	1,776	1,829	1,788
U.S. deferred	4,038	4,225	3,738
Total U.S. domestic package revenue	13,048	13,717	12,799
International priority	7,354	7,405	7,461
International economy	3,082	3,446	3,255
Total international export package revenue	10,436	10,851	10,716
International domestic ⁽²⁾	4,179	4,540	4,637
Total package revenue	27,663	29,108	28,152
Freight:			
U.S.	2,998	3,025	2,797
International priority	1,915	2,070	2,105
International economy	1,930	2,123	1,916
International airfreight	270	314	368
Total freight revenue	7,113	7,532	7,186
Other ⁽³⁾	737	691	834
Total FedEx Express segment	35,513	37,331	36,172
FedEx Ground segment	22,733	20,522	18,395
FedEx Freight segment	7,102	7,582	6,812
FedEx Services segment	22	22	28
Other and eliminations ⁽⁴⁾	3,847	4,236	4,043
	<u>\$ 69,217</u>	<u>\$ 69,693</u>	<u>\$ 65,450</u>
GEOGRAPHICAL INFORMATION⁽⁵⁾			
Revenue:			
U.S.	\$ 48,404	\$ 47,584	\$ 43,581
International:			
FedEx Express segment	19,177	20,424	20,417
FedEx Ground segment	479	467	407
FedEx Freight segment	192	207	181
FedEx Services segment	1	1	1
Other	964	1,010	863
Total international revenue	20,813	22,109	21,869
	<u>\$ 69,217</u>	<u>\$ 69,693</u>	<u>\$ 65,450</u>
Noncurrent assets:			
U.S.	\$ 45,691	\$ 33,189	\$ 30,362
International	11,463	8,128	8,627
	<u>\$ 57,154</u>	<u>\$ 41,317</u>	<u>\$ 38,989</u>

(1) Prior year amounts have been revised to conform to the current year presentation.

(2) International domestic revenue relates to our intra-country operations.

(3) Includes the operations of FedEx Custom Critical.

(4) Includes the FedEx Office and FedEx Logistics operating segments.

(5) International revenue includes shipments that either originate in or are destined to locations outside the United States, which could include U.S. payors. Noncurrent assets include property and equipment, goodwill and other long-term assets. Our flight equipment is registered in the U.S. and is included as U.S. assets; however, many of our aircraft operate internationally.

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NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest expense and income taxes for the years ended May 31 was as follows (in millions):

	2020	2019	2018
Cash payments for:			
Interest (net of capitalized interest)	\$ 639	\$ 617	\$ 524
Income taxes	\$ 389	\$ 407	\$ 760
Income tax refunds received	(353)	(36)	(571)
Cash tax payments, net	<u>\$ 36</u>	<u>\$ 371</u>	<u>\$ 189</u>

NOTE 16: GUARANTEES AND INDEMNIFICATIONS

In conjunction with certain transactions, primarily the lease, sale or purchase of real estate, operating assets or services in the ordinary course of business and in connection with business sales and acquisitions, we may provide routine guarantees or indemnifications (e.g., environmental, fuel, tax and intellectual property infringement), the terms of which range in duration, and often they are not limited and have no specified maximum obligation. As a result of the TNT Express acquisition, we have assumed a guarantee related to the demerger of TNT Express and PostNL Holding B.V., which occurred in 2011, for pension benefits earned prior to the date of the demerger. The risk of making payments associated with this guarantee is remote. The overall maximum potential amount of the obligation under such guarantees and indemnifications cannot be reasonably estimated. Historically, we have not been required to make significant payments under our guarantee or indemnification obligations and no material amounts have been recognized in our financial statements for the underlying fair value of these obligations.

NOTE 17: COMMITMENTS

Annual purchase commitments under various contracts as of May 31, 2020 were as follows (in millions):

	Aircraft and Aircraft Related	Other ⁽¹⁾	Total
2021	\$ 2,177	\$ 949	\$ 3,126
2022	2,772	590	3,362
2023	2,036	407	2,443
2024	697	263	960
2025	660	226	886
Thereafter	2,723	397	3,120
Total	<u>\$ 11,065</u>	<u>\$ 2,832</u>	<u>\$ 13,897</u>

⁽¹⁾ Primarily equipment and advertising contracts.

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. As of May 31, 2020, our obligation to purchase one Boeing 767-300 Freighter (“B767F”) aircraft and six Boeing 777 Freighter (“B777F”) aircraft is conditioned upon there being no event that causes FedEx Express or its employees not to be covered by the Railway Labor Act of 1926, as amended. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

We have several aircraft modernization programs underway that are supported by the purchase of B777F and B767F aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

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As of May 31, 2020, we had \$633 million in deposits and progress payments on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the “Other assets” caption of our accompanying consolidated balance sheets. Aircraft and aircraft-related contracts are subject to price escalations. The following table is a summary of the key aircraft we are committed to purchase as of May 31, 2020, with the year of expected delivery:

	Cessna SkyCourier 408	ATR 72-600F	B767F	B777F	Total
2021	—	4	20	2	26
2022	9	7	18	5	39
2023	12	6	8	2	28
2024	12	6	—	4	22
2025	12	6	—	2	20
Thereafter	5	1	—	—	6
Total	<u>50</u>	<u>30</u>	<u>46</u>	<u>15</u>	<u>141</u>

During 2020, FedEx Express exercised options to purchase an additional six B767F aircraft for delivery in 2022. Additionally, FedEx Express executed two contract amendments rescheduling two B777F aircraft deliveries from 2023 to 2022 and two B767F aircraft deliveries from 2022 to 2023.

In the fourth quarter of 2020, we received notice from certain aircraft manufacturers (i) rescheduling four B767F aircraft deliveries from 2020 to 2021, as well as two B767F aircraft deliveries from 2021 to 2022, and (ii) rescheduling certain Cessna SkyCourier 408 and ATR 72-600F aircraft between 2021 and 2026.

On June 25, 2020, FedEx Express executed a contract amendment rescheduling B767F aircraft deliveries as follows: 2021 – 18 aircraft; 2022 – 11 aircraft; 2023 – 13 aircraft; and 2024 – 4 aircraft.

NOTE 18: CONTINGENCIES

Service Provider Lawsuits. FedEx Ground is defending lawsuits in which it is alleged that FedEx Ground should be treated as a joint employer of drivers employed by service providers engaged by FedEx Ground. These cases are in varying stages of litigation, and we are not currently able to estimate an amount or range of potential loss in all of these matters. However, we do not expect to incur, individually or in the aggregate, a material loss in these matters. Nevertheless, adverse determinations in these matters could, among other things, entitle service providers’ drivers to certain wage payments from the service providers and FedEx Ground, and result in employment and withholding tax and benefit liability for FedEx Ground. We continue to believe that FedEx Ground is not an employer or joint employer of the drivers of these independent businesses.

Federal Securities Litigation and Derivative Lawsuits. On June 26, 2019 and July 2, 2019, FedEx and certain present and former officers were named as defendants in two putative class action securities lawsuits filed in the U.S. District Court for the Southern District of New York. The complaints, which have been consolidated, allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder relating to alleged misstatements or omissions in FedEx’s public filings with the SEC and other public statements during the period from September 19, 2017 to December 18, 2018. We are not currently able to estimate the probability of loss or the amount or range of potential loss, if any, at this stage of the litigation.

On September 17, 2019 and November 6, 2019, FedEx, its Board of Directors and certain present and former directors and officers were named as defendants in two stockholder derivative lawsuits filed in the U.S. District Court for the District of Delaware. The complaints, which were subsequently consolidated, repeated the allegations in the federal securities litigation complaints, and asserted new claims against the FedEx Board of Directors and certain present and former directors and officers for breach of fiduciary duty, waste of corporate assets, unjust enrichment, insider selling and violations of the federal securities laws. On June 24, 2020, the consolidated lawsuit was dismissed with prejudice. Any appeal of the dismissal must be made by July 24, 2020.

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Derivative Lawsuit Related to New York Cigarette Litigation. On October 3, 2019, FedEx and certain present and former FedEx directors and officers were named as defendants in a stockholder derivative lawsuit filed in the Delaware Court of Chancery. The complaint alleges the defendants breached their fiduciary duties in connection with the activities alleged in lawsuits filed by the City of New York and the State of New York against FedEx Ground in December 2013 and November 2014 and against FedEx Ground and FedEx Freight in July 2017. The underlying lawsuits related to the alleged shipment of cigarettes to New York residents in contravention of several statutes, as well as common law nuisance claims, and were dismissed by the court in December 2018 following entry into a final settlement agreement for approximately \$35 million. The settlement did not include any admission of liability by FedEx Ground or FedEx Freight. In addition to the settlement amount, we recognized approximately \$10 million for certain attorney's fees in connection with the underlying lawsuits. We are not currently able to estimate the probability of loss or the amount or range of potential loss, if any, at this stage of the lawsuit. On August 14, 2019, a separate stockholder derivative lawsuit alleging similar breaches of fiduciary duty was filed in the Delaware Court of Chancery. The plaintiff voluntarily dismissed this lawsuit on June 25, 2020.

Environmental Matters. SEC regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that management reasonably believes could exceed \$100,000.

Prior to our acquisition of TNT Express, a lawsuit was filed in Simões Filho, Bahia, Brazil against a subsidiary of TNT Express alleging violations of Brazilian environmental laws. Specifically, the lawsuit alleges that in 2012, certain employees unlawfully discarded non-toxic trash on a highway. We could be subject to monetary sanctions and fines related to such activity that exceed \$100,000. We believe that the aggregate amount of any such sanctions and fines will be immaterial.

Other Matters. FedEx and its subsidiaries are subject to other legal proceedings that arise in the ordinary course of business, including certain lawsuits containing various class-action allegations of wage-and-hour violations in which plaintiffs claim, among other things, that they were forced to work "off the clock," were not paid overtime or were not provided work breaks or other benefits. In the opinion of management, the aggregate liability, if any, with respect to these other actions will not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 19: RELATED PARTY TRANSACTIONS

Our Chairman and Chief Executive Officer, Frederick W. Smith, currently holds an approximate 10% ownership interest in the Washington, D.C. National Football League professional football team and is a member of its board of directors. FedEx has a multi-year naming rights agreement with Washington Football, Inc. granting us certain marketing rights, including the right to name the stadium where the team plays and other events are held "FedExField."

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020 ⁽¹⁾				
Revenue	\$ 17,048	\$ 17,324	\$ 17,487	\$ 17,358
Operating income	977	554	411	475
Net income (loss) ⁽²⁾	745	560	315	(334)
Basic earnings (loss) per common share ⁽³⁾	2.86	2.15	1.21	(1.28)
Diluted earnings (loss) per common share ⁽³⁾	2.84	2.13	1.20	(1.28)
2019 ⁽⁴⁾				
Revenue	\$ 17,052	\$ 17,824	\$ 17,010	\$ 17,807
Operating income	1,071	1,168	911	1,316
Net income (loss) ⁽⁵⁾	835	935	739	(1,969)
Basic earnings (loss) per common share ⁽³⁾	3.15	3.56	2.83	(7.56)
Diluted earnings (loss) per common share ⁽³⁾	3.10	3.51	2.80	(7.56)

- (1) The fourth quarter, third quarter, second quarter and first quarter of 2020 include \$63 million, \$72 million, \$64 million and \$71 million, respectively, of TNT Express integration expenses. The fourth quarter includes \$369 million of goodwill and other asset impairment charges associated with the FedEx Office and FedEx Logistics operating segments and a net loss of \$794 million related to the annual MTM retirement plans accounting adjustment. The second quarter of 2020 includes asset impairment charges of \$66 million related to the permanent retirement of 10 Airbus A310-300 aircraft and 12 related engines at FedEx Express.
- (2) The fourth quarter of 2020 includes a tax benefit of \$71 million in connection with the 2020 U.S. tax loss that can be offset against income in prior years under the CARES Act and a tax expense of \$51 million due to a change in deferred tax balances related to foreign tax operations. The second quarter of 2020 includes a tax benefit of \$133 million from the reduction of a valuation allowance on certain foreign tax loss carryforwards.
- (3) The sum of the quarterly earnings per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods.
- (4) The fourth quarter, third quarter, second quarter and first quarter of 2019 include \$84 million, \$69 million, \$114 million and \$121 million, respectively, of TNT Express integration expenses (including any restructuring charges). The fourth quarter and third quarter of 2019 include business realignment costs of \$316 million and \$4 million, respectively. The fourth quarter includes a net loss of \$3.9 billion related to the annual MTM retirement plans accounting adjustment. The second quarter of 2019 includes costs incurred in connection with the settlement of a legal matter involving FedEx Ground of \$46 million.
- (5) The third quarter of 2019 includes a tax benefit of \$90 million from the reduction of a valuation allowance on certain tax loss carryforwards and a tax expense of \$50 million related to a lower tax rate in the Netherlands applied to our deferred tax balances. The second quarter of 2019 includes a tax benefit of approximately \$60 million from accelerated deductions claimed on our 2018 U.S. income tax return. In addition, we recognized a tax expense of \$4 million in the second quarter of 2019 as a revision of the provisional benefit associated with the remeasurement of our net U.S. deferred tax liability upon completion of the accounting for the tax effects of the TCJA.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATES. While we currently have market risk sensitive instruments related to interest rates, we have no significant exposure to changing interest rates on our long-term debt. As disclosed in Note 6 to the accompanying consolidated financial statements, we had outstanding fixed-rate long-term debt (exclusive of finance leases) with an estimated fair value of \$22.8 billion at May 31, 2020 and outstanding fixed- and floating-rate long-term debt (exclusive of finance leases) with an estimated fair value of \$17.8 billion at May 31, 2019. Market risk for long-term debt is estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates and amounts to approximately \$303 million as of May 31, 2020 and approximately \$390 million as of May 31, 2019. The underlying fair values of our long-term debt were estimated based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

We have interest rate risk with respect to our pension and postretirement benefit obligations. Changes in interest rates impact our liabilities associated with these retirement plans, as well as the amount of pension and postretirement benefit expense recognized. Declines in the value of plan assets could diminish the funded status of our pension plans and potentially increase our requirement to make contributions to the plans. Substantial investment losses on plan assets would also increase net pension expense.

FOREIGN CURRENCY. While we are a global provider of transportation, e-commerce and business services, the majority of our transactions during the periods presented in this Annual Report on Form 10-K are denominated in U.S. dollars. The principal foreign currency exchange rate risks to which we are exposed are in the euro, Chinese yuan, British pound, Canadian dollar, Australian dollar and Mexican peso. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenue than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. Foreign currency fluctuations had a slightly positive impact on operating income in 2020 and 2019. However, favorable foreign currency fluctuations also may have had an offsetting impact on the price we obtained or the demand for our services, which is not quantifiable. At May 31, 2020, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would result in a decrease in operating income of \$201 million for 2021, assuming operations were consistent with the prior year. This theoretical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar, which is not consistent with our actual experience in foreign currency transactions. In addition to the direct effects of changes in exchange rates, fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

We maintain derivative financial instruments to manage foreign currency fluctuations related to probable future transactions and cash flows denominated in currencies other than the currency of the transacting entity which impacts our exposure to foreign currency exchange risk. These derivatives are not designated as hedges and are accounted for at fair value with any profit or loss recorded in income, which was immaterial for 2020 and 2019.

COMMODITY. While we have market risk for changes in the price of jet and vehicle fuel, this risk is largely mitigated by our indexed fuel surcharges. For additional discussion of our indexed fuel surcharges, see the "Results of Operations and Outlook — Consolidated Results — Fuel" section of "Management's Discussion and Analysis of Results of Operations and Financial Condition."

SELECTED FINANCIAL DATA

The following table sets forth (in millions, except per share amounts and other operating data) certain selected consolidated financial and operating data for FedEx Corporation (“FedEx”) as of and for the five years ended May 31, 2020. This information should be read in conjunction with the Consolidated Financial Statements, Management’s Discussion and Analysis of Results of Operations and Financial Condition and other financial data appearing elsewhere in this Annual Report on Form 10-K. Defined terms used below have the meaning set forth in Management’s Discussion and Analysis of Results of Operations and Financial Condition.

	2020 ⁽¹⁾⁽²⁾⁽³⁾	2019 ⁽²⁾⁽³⁾⁽⁴⁾	2018 ⁽²⁾⁽³⁾⁽⁵⁾⁽⁸⁾	2017 ⁽²⁾⁽³⁾⁽⁶⁾⁽⁸⁾	2016 ⁽³⁾⁽⁷⁾⁽⁸⁾
Operating Results					
Revenue	\$ 69,217	\$ 69,693	\$ 65,450	\$ 60,319	\$ 50,365
Operating income	2,417	4,466	4,272	4,566	4,168
Income before income taxes	1,669	655	4,353	4,579	2,740
Net income	1,286	540	4,572	2,997	1,820
Per Share Data					
Earnings per share:					
Basic	\$ 4.92	\$ 2.06	\$ 17.08	\$ 11.24	\$ 6.59
Diluted	\$ 4.90	\$ 2.03	\$ 16.79	\$ 11.07	\$ 6.51
Average shares of common stock outstanding	261	262	267	266	276
Average common and common equivalent shares outstanding	262	265	272	270	279
Cash dividends declared	\$ 2.60	\$ 2.60	\$ 2.00	\$ 1.60	\$ 1.00
Financial Position					
Property and equipment, net	\$ 33,608	\$ 30,429	\$ 28,154	\$ 25,981	\$ 24,284
Total assets ⁽⁹⁾	73,537	54,403	52,330	48,552	45,959
Long-term debt, less current portion ⁽⁹⁾	21,952	16,617	15,243	14,909	13,733
Common stockholders’ investment	18,295	17,757	19,416	16,073	13,784
Other Operating Data					
FedEx Express aircraft fleet	679	681	670	657	643

⁽¹⁾ Results for 2020 include noncash goodwill and other asset impairment charges of \$435 million (\$416 million, net of tax, or \$1.58 per diluted share) primarily related to goodwill impairment at FedEx Office and from the decision to permanently retire certain aircraft and related engines at FedEx Express.

⁽²⁾ Results include TNT Express integration expenses (including any restructuring charges) of \$270 million (\$209 million, net of tax, or \$0.80 per diluted share) in 2020, \$388 million (\$314 million, net of tax, or \$1.18 per diluted share) in 2019, \$477 million (\$372 million, net of tax, or \$1.36 per diluted share) in 2018 and \$327 million (\$245 million, net of tax, or \$0.91 per diluted share) in 2017. These expenses are included in “Corporate, other and eliminations” and the FedEx Express segment.

⁽³⁾ Results include the following: MTM retirement plans accounting adjustments: net loss of \$794 million (\$583 million, net of tax, or \$2.22 per diluted share) in 2020 and net loss of \$3.9 billion (\$3.0 billion, net of tax, or \$11.22 per diluted share) in 2019; net gains of \$10 million (\$9 million, net of tax, or \$0.03 per diluted share) in 2018 and \$24 million (\$6 million, net of tax, or \$0.02 per diluted share) in 2017; and a net loss of \$1.5 billion (\$946 million, net of tax, or \$3.39 per diluted share) in 2016. See Note 1 and Note 13 to the accompanying consolidated financial statements for additional information.

- (4) Results for 2019 include business realignment charges of \$320 million (\$243 million, net of tax, or \$0.91 per diluted share), costs incurred in connection with the settlement of a legal matter involving FedEx Ground of \$46 million (\$43 million, net of tax, or \$0.16 per diluted share) and a net U.S. deferred tax liability remeasurement of \$4 million (\$0.02 per diluted share) for lower tax rates.
- (5) Results for 2018 include tax benefits of \$2.1 billion (\$7.71 per diluted share), which includes benefits of \$1.6 billion related to the TCJA as follows: a provisional benefit of \$1.15 billion (\$4.22 per diluted share) for the remeasurement of our net U.S. deferred tax liability for lower tax rates; a benefit of \$204 million (\$0.75 per diluted share) from an incremental pension contribution made in the third quarter and deductible against prior year taxes at 35%; and a benefit of approximately \$265 million (\$0.97 per diluted share) for the phase-in of the reduced tax rate applied to 2018 earnings. The remaining 2018 tax benefits include a net benefit of \$255 million (\$0.94 per diluted share) from corporate structuring transactions as part of the ongoing integration of FedEx Express and TNT Express and a benefit of \$225 million (\$0.83 per diluted share) from foreign tax credits associated with distributions to the U.S. from foreign operations. In addition, 2018 results include \$380 million (\$379 million, net of tax, or \$1.39 per diluted share) of goodwill and other asset impairment charges related to FedEx Supply Chain and charges of \$8 million (\$6 million, net of tax, or \$0.02 per diluted share) for legal reserves related to certain U.S. Customs and Border Protection (“CBP”) matters involving FedEx Logistics.
- (6) Results for 2017 include charges for legal reserves related to certain CBP matters involving FedEx Logistics for \$39 million (\$24 million, net of tax, or \$0.09 per diluted share) and charges in connection with the settlement of and certain expected losses relating to independent contractor litigation matters at FedEx Ground in the amount of \$22 million (\$13 million, net of tax, or \$0.05 per diluted share).
- (7) Results for 2016 include provisions related to independent contractor litigation matters at FedEx Ground for \$256 million, net of recognized immaterial insurance recovery (\$158 million, net of tax, or \$0.57 per diluted share), and expenses related to the settlement of a CBP notice of action involving FedEx Logistics in the amount of \$69 million, net of recognized immaterial insurance recovery (\$43 million, net of tax, or \$0.15 per diluted share). Total transaction, financing and integration-planning expenses related to our TNT Express acquisition, as well as TNT Express’s immaterial financial results from the time of acquisition, were \$132 million (\$125 million, net of tax, or \$0.45 per diluted share) during 2016. In addition, 2016 results include a \$76 million (\$0.27 per diluted share) favorable tax impact from an internal corporate legal entity restructuring to facilitate the integration of FedEx Express and TNT Express.
- (8) Includes reclassifications to conform to the current year presentation of newly adopted pension guidance which requires us to report only the service cost component in the “Salaries and employee benefits” line item. The other components of net benefit cost are required to be presented in the income statement in other income, outside of income from operations.
- (9) Includes adjustments in 2016 related to our adoption of an accounting standard that requires us to classify debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability, rather than as an asset.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of

FedEx Corporation

We have audited the consolidated financial statements of FedEx Corporation (the Company) as of May 31, 2020 and 2019, and for each of the three years in the period ended May 31, 2020, and have issued our report thereon dated July 20, 2020 included elsewhere in this Form 10-K. Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a) of this Form 10-K (the “schedule”). This schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s schedule, based on our audits.

In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when considered in conjunction with the consolidated financial statements.

/s/ Ernst & Young LLP

Memphis, Tennessee

July 20, 2020

FEDEX CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED MAY 31, 2020, 2019 AND 2018
(IN MILLIONS)

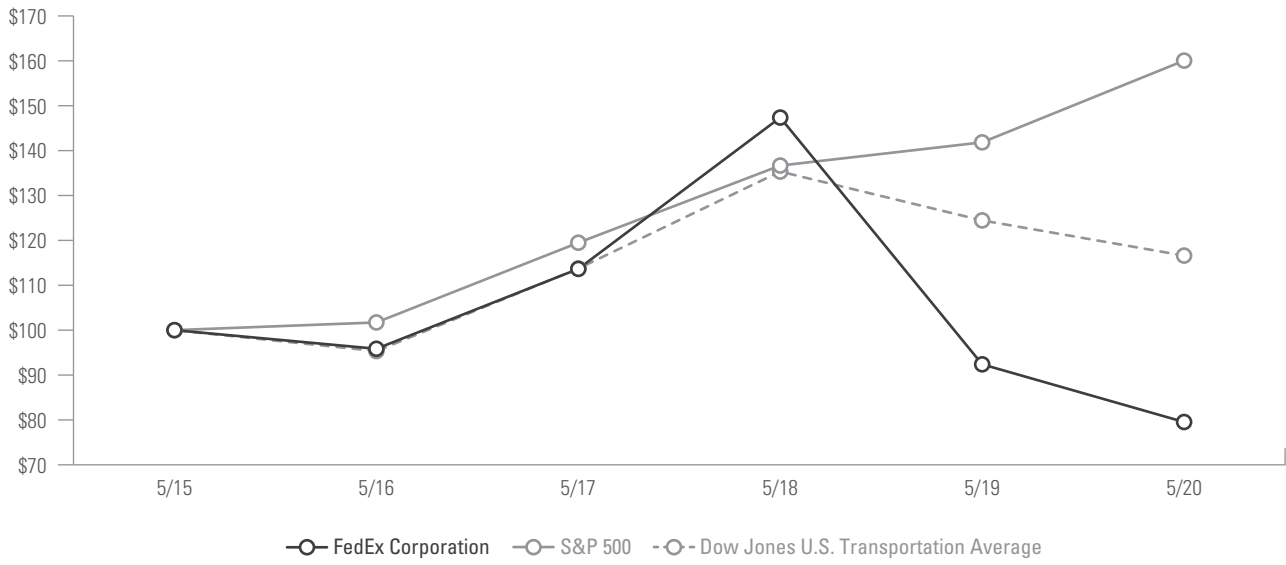
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS	BALANCE AT END OF YEAR
		CHARGED TO EXPENSES	CHARGED TO OTHER ACCOUNTS		
Accounts Receivable Reserves:					
<i>Allowance for Doubtful Accounts</i>					
2020	\$ 121	\$ 442	\$ —	\$ 388 (a)	175
2019	199	295	—	373 (a)	121
2018	115	246	—	162 (a)	199
<i>Allowance for Revenue Adjustments</i>					
2020	\$ 179	\$ —	\$ 1,286 (b)	\$ 1,250 (c)	\$ 215
2019	202	—	1,192 (b)	1,215 (c)	179
2018	137	—	1,173 (b)	1,108 (c)	202
Inventory Valuation Allowance:					
2020	\$ 335	\$ 33	\$ —	\$ 33	\$ 335
2019	268	28	75	36	335
2018	237	27	6	2	268

(a) Uncollectible accounts written off, net of recoveries, and other adjustments.

(b) Principally charged against revenue.

(c) Service failures, rebills and other.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*



* \$100 invested on 5/31/15 in stock or index, including reinvestment of dividends. Fiscal year ended May 31.

FedEx Corporation Board of Directors

Frederick W. Smith

Chairman of the Board and Chief Executive Officer of FedEx Corporation

John A. Edwardson⁽²⁾⁽⁴⁾

Former Chairman and Chief Executive Officer of CDW Corporation
Technology products and services company

Marvin R. Ellison⁽¹⁾⁽²⁾

President and Chief Executive Officer of Lowe's Companies, Inc.
Home improvement retailer

Susan Patricia Griffith⁽³⁾⁽⁴⁾

President and Chief Executive Officer of The Progressive Corporation
Property and casualty insurance company

John C. ("Chris") Inglis^{(3*)(4)}

Professor at the U.S. Naval Academy

Kimberly A. Jabal⁽¹⁾⁽³⁾

Chief Financial Officer of Unity Technologies
Real-time 3D development company

Shirley Ann Jackson⁽¹⁾⁽²⁾

President of Rensselaer Polytechnic Institute
Technological research university

(1) Audit Committee

(2) Compensation Committee

(3) Information Technology Oversight Committee

(4) Nominating & Governance Committee

(5) Lead Independent Director

* Committee Chair

R. Brad Martin^(1*)

Chairman of RBM Venture Company
Private investment company

Joshua Cooper Ramo⁽¹⁾⁽³⁾

Vice Chairman, Co-Chief Executive Officer of Kissinger Associates, Inc.
Strategic advisory firm

Susan C. Schwab⁽²⁾⁽³⁾

Professor Emerita at the University of Maryland School of Public Policy

David P. Steiner^{(4*)(5)}

Former Chief Executive Officer of Waste Management, Inc.
Integrated waste management services company

Rajesh Subramaniam

President and Chief Operating Officer of FedEx Corporation

Paul S. Walsh^(2*)

Executive Chairman of McLaren Group Limited
Luxury automotive, motorsport and technology company

FedEx Corporation Executive Officers

Frederick W. Smith

Chairman of the Board and Chief Executive Officer

Rajesh Subramaniam

President and Chief Operating Officer

Mark R. Allen

Executive Vice President, General Counsel and Secretary

Jill C. Brannon

Executive Vice President — Chief Sales Officer

Brie A. Carere

Executive Vice President — Chief Marketing and Communications Officer

Robert B. Carter

Executive Vice President — FedEx Information Services and Chief Information Officer

Donald F. Colleran

President and Chief Executive Officer, FedEx Express

Alan B. Graf, Jr.⁽¹⁾

Executive Vice President and Chief Financial Officer

Henry J. Maier

President and Chief Executive Officer, FedEx Ground

John A. Smith

President and Chief Executive Officer, FedEx Freight

(1) Will be succeeded by Michael C. Lenz effective September 22, 2020. Mr. Graf will remain at FedEx as Executive Vice President and Senior Advisor until his retirement on December 31, 2020.

Corporate Information

FEDEX CORPORATION: 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7500, fedex.com

ANNUAL MEETING OF STOCKHOLDERS: Monday, September 21, 2020, 8:00 a.m. Central Time. The 2020 Annual Meeting of Stockholders will be a virtual meeting, conducted exclusively via live audio webcast at www.virtualshareholdermeeting.com/FDX2020.

STOCK LISTING: FedEx Corporation's common stock is listed on the New York Stock Exchange under the ticker symbol FDX.

FINANCIAL INFORMATION: Copies of FedEx Corporation's Annual Report on Form 10-K (Form 10-K), other documents filed with or furnished to the Securities and Exchange Commission (SEC) and other financial and statistical information are available through the Investor Relations section of our website at investors.fedex.com.

The information we post on our Investor Relations website could be deemed to be material information. We encourage investors, the media and others interested in FedEx to visit this website from time to time, as information is updated and new information is posted.

Company documents filed with or furnished to the SEC can also be found on the SEC's website at sec.gov.

You will be mailed a copy of the Form 10-K, without charge, upon request to: FedEx Corporation Investor Relations, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail: ir@fedex.com.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

Ernst & Young LLP, Memphis, Tennessee

CUSTOMER SERVICE: Call 1-800-Go-FedEx or visit fedex.com.

MEDIA INQUIRIES: Bonny Harrison, Director, Global Media, 3650 Hacks Cross Road, Building E 1st Floor, Memphis, Tennessee 38125, (901) 434-8100, e-mail: mediarelations@fedex.com.

SHAREOWNER ACCOUNT SERVICES: Computershare, PO BOX 505000, Louisville, Kentucky 40233-5000, (800) 446-2617, computershare.com.

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT: For information on the direct stock purchase and dividend reinvestment plan for FedEx Corporation common stock, call Computershare at (800) 446-2617 or visit their direct stock purchase plan website at computershare.com. This plan provides an alternative to traditional retail brokerage methods of purchasing, holding and selling FedEx common stock. This plan also permits shareowners to automatically reinvest their dividends to purchase additional shares of FedEx common stock.

INVESTOR RELATIONS: Mickey Foster, Vice President, Investor Relations, FedEx Corporation, 942 South Shady Grove Road, Memphis, Tennessee 38120, (901) 818-7200, e-mail: ir@fedex.com.

EQUAL EMPLOYMENT OPPORTUNITY: Our greatest asset is our people. We are committed to providing a workplace where our employees and contractors feel respected, satisfied and appreciated. Our policies are designed to promote fairness and respect for everyone. We hire, evaluate and promote employees, and engage contractors, based on their skills and performance. With this in mind, we will not tolerate certain behaviors. These include harassment, retaliation, violence, intimidation and discrimination of any kind on the basis of race, color, religion, national origin, gender, sexual orientation, gender identity, gender expression, age, disability, veteran status or any other characteristic protected by federal, state or local law.

Our latest Global Citizenship Report is available at sustainability.fedex.com.



942 South Shady Grove Road
Memphis, TN 38120

fedex.com

Multiplying Opportunities

2020 Global Citizenship Report





Multiplying Opportunities Through Innovation

FedEx connects the global economy through innovative technologies, pioneering approaches, and customer-focused solutions. Whether we are multiplying growth for our customers and our business, multiplying the potential of our people, or multiplying efficiencies for the environment, we use innovation to create value and opportunities across the world.

Contents

Our CSR Strategy	4
Economy	27
People	41
Environment	60
Data Appendix	76

About this Report

Our 12th annual Global Citizenship Report (the “Report”) covers FedEx corporate social responsibility (CSR) strategies, goals, programs, and progress. Unless otherwise noted, data covers each of our operating companies and all geographies in our 2019 fiscal year, which ended May 31, 2019. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option, and contains disclosures from the GRI Sustainability Reporting Standards (as well as reference tables for the Task Force on Climate-related Financial Disclosures and Sustainability Accounting Standards Board), which are listed in the [Reporting Framework Index](#).

Key performance highlights are included in the relevant report chapter, while detailed performance data, including our year-over-year performance, is included in the [Data Appendix](#). Scope 1 & 2 GHG emissions data was [externally verified](#) by Cventure LLC.



Our CSR Strategy Multiplying Good

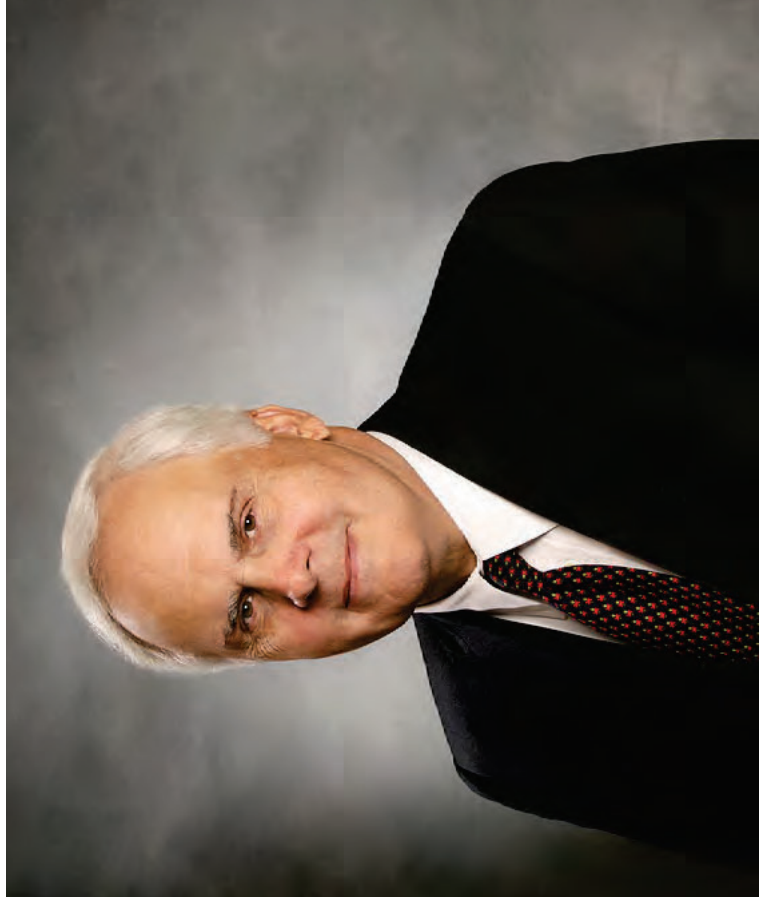
With a global reach and purpose-driven mission, we connect the world responsibly and resourcefully. At the core of our business, we enable economic growth for customers through a diverse portfolio of products and services, and create opportunities for people in more than 220 countries and territories.

40%

Our sustainability efforts have contributed to an approximately 40% reduction in CO₂ emissions intensity across the enterprise from FY09 to FY19, a period in which revenue grew by 96%.

Chairman's Letter

Multiplying Opportunities Through Innovation



Frederick W. Smith
Chairman and CEO

As we release this report, the world is grappling with the novel Coronavirus COVID-19 pandemic. During these unprecedented times, FedEx is one of the only companies in the world with the networks and capabilities to keep commerce and aid moving.

With the health and safety of our team members as our top priority, FedEx is on the front lines of providing relief, building upon decades of experience in dealing with natural disasters and medical challenges.

This experience and our company values will continue to make FedEx absolutely essential to providing support on a global scale.

This is critical because the world is depending on us now more than ever. As I said in my recent *From the Chairman and CEO* message, it's who we are and what we do.

Please take a moment and visit [here](#) for the latest on how FedEx is responding to the outbreak, with a focus on Safety Above All.

As you'll see in the following report, we're committed to putting our CSR strategy to work for the benefit of the global economy, our people, and the environment — and we'll carry that commitment through as the world responds to and recovers from this pandemic.

Multiplying Opportunities for the Economy, Our People and the Environment

Economy: Multiplying Growth for Our Business and Society

FedEx supports the ingenuity of business owners and powers the economy in a number of ways.

We fuel the explosive growth of e-commerce.

As we maintain a market-leading portfolio for e-commerce — the fastest growing segment of our business — we do so with a sharp focus on customer needs and the environment. For example, Roxo™, the FedEx SameDay Bot™ holds promise for deliveries in congested or difficult delivery locations and is all electric — using only batteries that produce zero localized emissions. Similarly, in 2019, through our collaboration with Wing, we marked the first scheduled e-commerce delivery via drone in the U.S. and did so with zero emissions.

We support small and diverse business.

We've expanded our Small Business Grant Contest — which provides a boost to deserving entrepreneurs through grants, prizes and FedEx Office services — to 10 countries. And we take pride in the positive outcomes generated by the global businesses we support. As just one example, through the sale of its coffee and chocolate products, Moka Origins, one of our 2019 winners, provides good wages to farmers in rural Africa.

It is important to remember that our CSR strategy isn't independent of our business plan to innovate and drive profitable growth. As we anticipate customer needs on the horizon, we do so with a keen eye on our mission to connect the world responsibly and resourcefully.

People: Multiplying Potential

Continued investments in our people are central to our success. And our first priority is "Safety Above All." That goes for our operations on the roads, in the air, in our facilities, and in our communities.

We source the most up-to-date, sophisticated safety technology for our vehicle fleet. Ninety-eight percent of FedEx Freight tractors and box trucks now include roll stability, forward collision mitigation systems, and lane departure technology. And FedEx Express, Freight, and Ground use video event data recorder, or VEDR, technology to improve safety for our drivers and others on the road.

We're also investing in our team members' futures through extensive education and training. Last fiscal year, team members on average participated in 18 more hours of training than the previous year, and FedEx provided \$15.3 million in tuition assistance to help employees further their education.

Environment: Multiplying Efficiencies

With regard to our physical assets, we're using our Reduce, Replace, Revolutionize sustainability approach in four key areas: aircraft efficiency, vehicle efficiency, sustainable facilities, and sustainable materials and recycling.

As one illustration of the power of this strategy, last fiscal year alone, we avoided more than 3 million metric tons of CO₂e emissions as a result of our enterprise-wide fuel and energy saving initiatives. That's equivalent to the carbon sequestered — or offset — by more than 4 million acres of U.S. forests in one year.

FedEx Cares:

These are only a few remarkable examples of how FedEx has been working to benefit the economy, people and the environment.

We're also refocusing our robust giving and volunteering platform, FedEx Cares. Moving forward, the three FedEx Cares pillars are: Global Entrepreneurship, Sustainable Logistics, and Delivering for Good. As you'll see on page 10, these FedEx Cares pillars fit perfectly into our overall CSR strategy.

This new FedEx Cares focus will enable us to zero in where our company can add the most unique value. And the role we play — who we are and what we do — has never been more important.

Frederick W. Smith
Chairman and CEO

What We Achieved in FY19

Multiplying opportunities for our people, our business, and our shared environment



40%

decrease in CO₂ emissions intensity (on a revenue basis) since FY09



Announced fleet expansion with

1,000

Change electric delivery vehicles



\$12.3b

in goods and services procured from diverse and small-business suppliers in the U.S.



23m

kWh renewable energy generated

\$15.3m

in tuition assistance to employees



3.1m

metric tons of CO₂e emissions avoided through fuel- and energy-saving initiatives

FedEx Global Network



>220

COUNTRIES AND TERRITORIES SERVED

>5,000

OPERATING FACILITIES

>650

AIRPORTS SERVED

>15M

SHIPMENTS SORTED AND PROCESSED EACH BUSINESS DAY

679

AIRCRAFT

>180,000

MOTORIZED VEHICLES

— Air Routes

● Major Express Hub Locations

CSR Approach and Implementation

Our culture, principles, and emphasis on long-term performance have guided our company since our founding nearly five decades ago.

Similarly, our corporate social responsibility (CSR) programs emphasize long-term performance that creates lasting, positive value for our business and society. Our governance, operations, culture, and CSR priorities are closely aligned, as reflected in the important role played by the FedEx Board of Directors’ Nominating & Governance Committee, which has oversight responsibility for our CSR strategy and programs, and the Compensation Committee, which reviews and discusses with management our key human capital management strategies and programs. The Nominating & Governance Committee receives updates at least annually from our Chief Sustainability Officer, and provides feedback to inform future activities.

CSR is at the heart of our business and central to the connections we make. Key elements of our CSR strategy include environmental efficiency innovations, a sustainable supply chain, a diverse and inclusive workplace, and the robust giving and volunteering platform known as FedEx Cares. We have aligned our CSR platform with our company’s mission and values, and embedded it into our systems and our culture. We conduct regular CSR materiality assessments to make sure we remain focused on the right CSR priorities for the benefit of our business, our customers, our shareholders, our team members, and other key stakeholders. Our most recent materiality assessment, completed in FY19 and detailed in this report, demonstrated that CSR continues to play a critical role in our business success.

Importantly, in FY19 we mapped our CSR focus areas, material issues, and actions to the United Nations Sustainable Development Goals (SDGs). Our CSR strategy aligns with and supports the SDGs in several key areas. Their linkages to our most material issues are included in the Materiality section of this report and to our programs and progress in relevant locations of the Economy, People, and Environment chapters.

Across our organization, we set enterprise-level strategies to deliver our global CSR goals and commitments. Our shared purpose unites and guides the implementation of these efforts at the operating company level. Each operating company also reports on a core set of metrics in support of the enterprise strategy. We prioritize our material environmental and social issues, as well as the areas where we can use our most valuable assets – global transportation networks, logistics expertise, and the talent of our team members – to reduce risks and add the greatest possible value to society. Finally, we publicly share not only our performance results, but our learnings, challenges, and successes along the way as part of our ongoing commitment to transparency.

For more information about the policies that inform our CSR strategy, see our [CSR Policy Statements](#). Please refer to this report’s [Data Appendix](#) for FY19 CSR performance results.

Our Mission and Values

Mission

FedEx Corporation will produce superior financial returns for its shareholders by providing high value-added logistics, transportation, and related business services through focused operating companies. Customer requirements will be met in the highest quality manner appropriate to each market segment served. FedEx will strive to develop mutually rewarding relationships with its team members, partners, and suppliers. Safety will be the first consideration in all operations. Corporate activities will be conducted to the highest ethical and professional standards.

Values

- People
- Service
- Innovation
- Integrity
- Responsibility
- Loyalty
- Safety

Our CSR Focus Areas

CSR Focus Areas	Economy	People	Environment
	<p>By connecting businesses and communities through a growing portfolio of services and tools, we enable economic growth and make it easier for customers to access new and existing markets, thereby helping to raise standards of living and improve quality of life. We strive to be a role model by providing economic opportunities to small businesses and people in the communities we serve.</p> <ul style="list-style-type: none"> • Create value for all stakeholders • Ensure strong business ethics, preparedness, resiliency, continuity, and data security • Innovate products and services to optimize our business, help our customers, and lift economies • Enable e-commerce and healthy global trade through technology, advocacy, and service • Empower entrepreneurship, supplier diversity, and job growth • Focus on outstanding customer experience, satisfaction, and convenience 	<p>We engage and empower our more than 475,000 team members, providing them with safe, inclusive workplaces and continued career development opportunities that help them thrive. We are all united by our commitment to the corporate philosophy we call People-Service-Profit (PSP). This reflects the shared principles that govern every FedEx activity, every day, everywhere we work.</p> <ul style="list-style-type: none"> • Ensure safety in our vehicles, air operations, and facilities • Recruit and retain top talent • Foster a workplace that is diverse, inclusive, and thriving • Enable continued education, satisfying career pathways, and world-class training • Provide industry-leading benefits to support team member health • Support financial well-being and retirement options 	<p>By using our global assets, expertise in efficiency, and commitment to innovation, we work to minimize our environmental footprint, find innovative solutions, and improve quality of life. Throughout the FedEx organization, our Reduce, Replace, Revolutionize approach permeates our sustainability efforts, with our Environmental Policy guiding the operating companies in managing environmental performance.</p> <ul style="list-style-type: none"> • <i>Reduce</i>: Minimize or eliminate impacts from activities and operations • <i>Replace</i>: Apply the right solutions in the right applications • <i>Revolutionize</i>: Discover and utilize cutting-edge technologies and solutions
UN Sustainable Development Goals (SDGs)	  	  	  
FedEx Cares	<ul style="list-style-type: none"> • Global entrepreneurship 	<ul style="list-style-type: none"> • Delivering for good 	<ul style="list-style-type: none"> • Sustainable logistics

Global CSR Governance

The FedEx Board of Directors plays a key role in our global CSR initiatives.

The FedEx Board of Directors and its committees oversee our global CSR initiatives. The Board is responsible for reviewing and overseeing our culture and evaluating management's efforts to align corporate culture with our stated values and long-term strategy. Additionally, the Board has delegated to each of its committees responsibility for the oversight of specific aspects of our corporate culture and other CSR activities that fall within the committee's areas of responsibility.

The Nominating & Corporate Governance Committee reviews and discusses CSR and sustainability strategies and programs with senior leadership, including our Chief Sustainability Officer.

- The Compensation Committee reviews and discusses with management the company's key human capital management strategies and programs, including diversity and inclusion initiatives.
- The Audit Committee reviews the implementation and effectiveness of the company's corporate integrity and compliance programs.
- The Information Technology Oversight Committee reviews and discusses with management the company's technologies, policies, processes and practices for managing and mitigating cybersecurity risks and monitors business continuity and disaster recovery capabilities and contingency plans.

Environmental Sustainability Governance

The FedEx Enterprise Sustainability Council (FESC) is responsible for setting and implementing our company-wide sustainability strategy. Our Chief Sustainability Officer chairs the FESC, oversees the company-wide implementation of our environmental management system and reviews performance annually.

Additionally, enterprise-wide Sustainability Impact Teams (SITs) for global vehicles, facilities, air operations, EarthSmart (marketing and communications), and sourcing allow our operating companies to share synergies, ideas, and innovations. The SITs and operating companies' senior sustainability leaders report to our Chief Sustainability Officer.

For more information about our environmental sustainability initiatives, see the [Environment](#) chapter of this report.

People CSR Governance

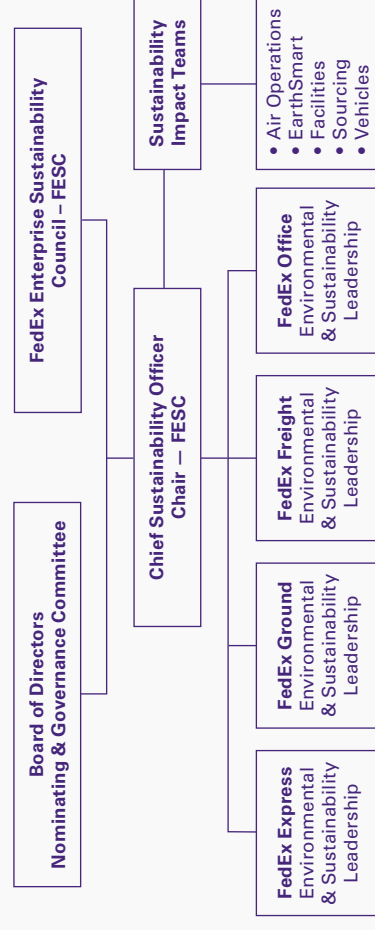
Our global CSR governance also encompasses a variety of functions and departments dedicated to our people. FedEx executive officers have individual objectives that include, but are not limited to, the promotion of our commitment to diversity, inclusion, and succession planning for management positions. Additionally, Human Resources (HR) departments in each FedEx operating company manage HR priorities, including team member career development, engagement, and health and wellness. Our Corporate HR department

promotes consistency of policies across operating companies and manages executive development, team member benefits, and diversity strategy. The FedEx Diversity & Inclusion (D&I) Council includes members across operating companies who coordinate company-wide D&I initiatives.

In addition, each FedEx operating company sets workplace safety goals and implements our Safety Above All philosophy through policies and programs relevant to its specific operations.

For more information about our programs for career development, diversity and inclusion, and safety, see the [People](#) chapter of this report.

Environmental Sustainability Governance Structure



Materiality – Focusing on What Matters Most

Over the past year, the global business environment has continued to change. The growth of e-commerce, frequency of extreme weather events, heightened focus on climate change, increased complexity of global trade, data security concerns, and competitive labor markets all continue to impact our operating environment.

Given these evolving factors, it is important to re-evaluate the potential challenges, opportunities, and topics that are most important to FedEx, to our stakeholders, and to society.

Our most recent materiality assessment in 2019 re-evaluated the topics previously identified as most important from the business perspective, stakeholder perspective, and societal perspective, and identified new and emerging topics. These were then analyzed to determine opportunities to leverage existing CSR activities and guide our CSR and business strategies going forward, while further mitigating risks. This 2019 work built on our first CSR materiality assessment in 2014 and our external stakeholder review in 2016, and aligned with the GRI Reporting Standards guidance and other best practices to identify, review, and revise topics for assessment.

Input to the materiality process included a literature review, analysis of global trends, and benchmarking of leading sustainability practices. It also included internal and external stakeholder engagement. Internal engagement comprised interviews with senior management across the business and an online survey to hundreds of

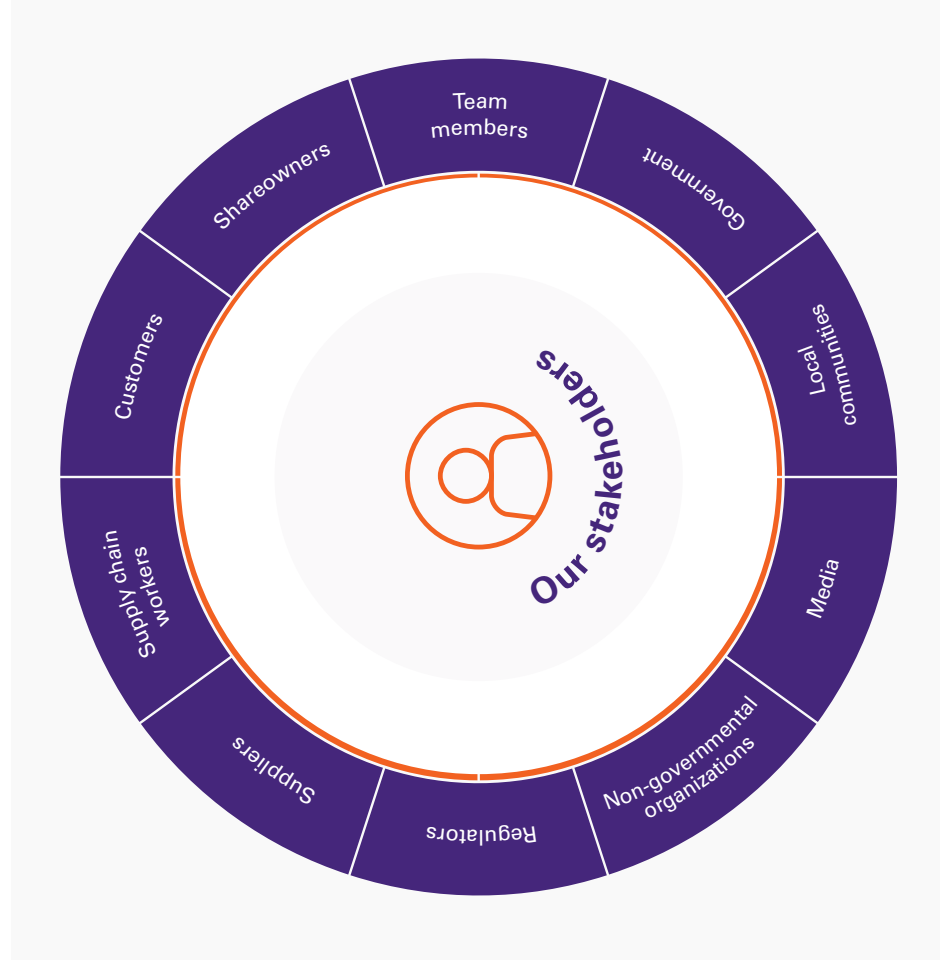
employees around the world. External stakeholder engagement included phone interviews with representatives from academia, customers, industry associations, media, NGOs, and suppliers, as well as an online survey.

A list of relevant topics was created from this input, before being refined and validated in a full-day workshop with key internal stakeholders to determine material topics. Workshop stakeholders represented a broad range of FedEx functions across the company. Materiality was determined according to:

1. The topic's significance, based on scientific consensus, societal consensus (as represented by the SDGs), and stakeholder consensus
2. The topic's potential influence on stakeholder assessment and decisions

The outcome of this process was our updated materiality matrix, which identifies the topics that matter most to our business, our stakeholders and, more broadly, to society and our planet. Our 2019 process also confirmed the most material topics

– those reflecting global priorities and topics that are critical to our business – remained largely consistent with our initial assessment, while also identifying relevant megatrends and their role in our CSR priorities and strategy.



Materiality – Focusing on What Matters Most (Continued)











Highest-Ranked Material Topics

Our highest-rated material topics are measured and managed across our owned and operated businesses. We mapped these topics – divided into the categories of Global Priorities and Commercially Critical – to our CSR focus areas and approaches.










Subsequently, we determined the most relevant SDGs aligned with those topics. This provides a more holistic picture of our progress and allows us to better identify those areas where our approach is effectively addressing stakeholder and business needs, as well as those areas where changes might be warranted.

Global Priority Topics

These are topics over which FedEx has a significant impact and influence on stakeholder decisions. They are also topics that stakeholders expect us to address proactively.

Topic Area	Material Topics	Relevant UN SDGs	Relevant Report Chapters and Sections
Governance	Ethics, integrity, bribery, and corruption		Our CSR Strategy – Corporate Integrity and Compliance Global governance structure and practices, including enterprise-wide ethics and compliance policies, programs, and training activities
Supply chain	Data/IT security and data privacy Social impact of FedEx supply chains	     	Our CSR Strategy – Data Security and Privacy Information technology security initiatives, policies, and privacy notices, including risk management, Online FedEx Trust Center with data protection resources, and Global Privacy Office Economy – Our Global Supply Chain Supplier diversity, sustainability, and compliance guided by FedEx Supplier Relationship Management team across all operating companies
Environment	GHG emissions associated with transportation fleet Environmental impact on local communities	   	Environment – Energy and GHG Emission Reduction Fuel efficiency and emission reduction targets, aircraft and vehicle fleet modernization, alternative fuel strategies, and responsible advocacy for regulatory and policy changes for fuel efficiency and emission reduction standards Enabling E-Commerce, Expanding What's Possible Economy – Driving Innovation Innovative last-mile delivery solutions, including use of robots and drones, pilot studies to optimize urban package pickup and delivery, and other advancements to reduce emissions, traffic congestion, and noise Convenient package pickup or dropoff locations at more than 94,000 various stores, FedEx Office locations, and others around the world by the end of 2020










Materiality – Focusing on What Matters Most (Continued)

Topic Area	Material Topics	Relevant UN SDGs	Relevant Report Chapters and Sections
People	Workplace safety and team member security		<u>People – Safety Above All</u> Wide range of team member vehicle, aviation, and workplace safety training and awareness programs, as well as state-of-the-art safety systems and equipment
	Team member diversity and inclusion	  	<u>People – Diversity and Inclusion</u> Diversity & Inclusion Council to drive an inclusive culture, along with education and numerous initiatives and team member resources to foster a diverse and inclusive environment in our operating companies
	Workforce recruitment, retention, pay, hours, conditions, and development	 	<u>People – Recruiting and Retaining Top Talent</u> <u>People – Learning and Development</u> <u>People – Team Member Quality of Life</u> Variety of recruiting, training, career development, and educational assistance opportunities, including internships, scholarships, mentoring, and tuition support, as well as world-class employee benefits for health and wellness
Economy	Economic impact and access	  	<u>Economy – Multiplying Possibilities Beyond Our Business</u> <u>Economy – Our Global Supply Chain</u> <u>Our CSR Strategy – FedEx Cares</u> Diverse programs to support youth, women, veterans, and others in accessing employment; assistance to small-business owners; and cash, in-kind support, and volunteering to benefit people and communities

Materiality – Focusing on What Matters Most (Continued)

Commercially Critical Topics

These are topics that are commercially relevant to our business and that represent a high level of influence on key stakeholder assessments and decisions.

Topic Area	Material Topics	UN SDGs	Relevant Report Chapters and Sections
Economy	Product and service innovation	 	<p><u>Enabling E-Commerce, Expanding What's Possible</u></p> <p><u>Economy – Driving Innovation</u></p> <p>Development and testing of Roxo™, the FedEx SameDay Bot, and drone delivery to support e-commerce growth, while also reducing emissions, traffic congestion, and noise, especially in busy urban areas; blockchain technology for traceability; packaging innovations to minimize materials, dimensions, weight, and waste</p>
	FedEx financial well-being and profitability		<p><u>Economy – Multiplying Possibilities in Our Business</u></p> <p>One of the largest U.S.-based companies, with more than 475,000 team members and 6% increase in FY19 total revenue over FY18</p>
People	Customer experience, satisfaction, and service		<p><u>Economy – Driving Innovation</u></p> <p>Development and testing of Roxo, the FedEx SameDay Bot, and drone delivery — just two of our recent innovations with the potential to enhance customer convenience and service</p>
	Road and public safety	  	<p><u>People – Safety Above All</u></p> <p>Fleet enhancements with state-of-the-art safety systems and equipment; driver safety programs and training; support of community-based road safety programs, such as Safe Kids</p>
Governance	Business preparedness, resiliency, and disaster response	 	<p><u>Our CSR Strategy – Business Preparedness, Resiliency, and Disaster Response</u></p> <p>Contingency plans for events such as disasters or social unrest, participation in numerous emergency management organizations, and disaster relief aid through in-kind shipping</p>

Responsible Engagement

Growing our business responsibly, resourcefully and in a forward-thinking manner not only drives the long-term success of our company, but also benefits millions of stakeholders by creating income and opportunities for customers, team members, communities, shareowners, and suppliers.



Connecting with Our Stakeholders

While formal CSR materiality assessments inform and refine our approach, goals, targets, and metrics on environmental, social, and governance topics, we also seek wide-ranging input from our team members and external stakeholders through ongoing engagement efforts. For instance, our proactive shareowner engagement program allows us to meet regularly with our largest shareowners to discuss our business strategy, operations, sustainability, and social responsibility programs, as well as corporate governance and other topics of interest to them. This provides us the feedback needed to better understand their priorities, perspectives, and concerns, and effectively address issues that matter most to them.

In addition, we recognize that FedEx customers around the world are increasingly interested in our CSR performance, and we meet with them when appropriate to discuss our CSR programs and progress. To make sure they have additional convenient avenues for receiving the information they seek, we use a streamlined approach to share our environmental, social, and governance performance. This includes providing detailed information on a wide variety of CSR topics to recognized

external platforms and protocols, including the CDP (formerly Carbon Disclosure Project), EcoVadis, and Responsible Business Alliance (RBA). We also report on these issues in our own publicly available documents, such as the [FedEx Annual Report](#), [Proxy Statement](#), and this report.

Minimizing Impacts on Local Communities

We are leveraging a variety of innovative approaches to reduce road congestion and emissions, and are testing emerging technologies that use robotics, artificial intelligence, and drone technology to further minimize the impact of motorized vehicles we have on the road. Across our operating companies, we work to minimize impacts and make sure known impacts do not adversely affect the communities where we operate. For instance, FedEx Express participates in airport-directed noise monitoring and control programs, and works with industry associations to provide accurate information about the benefits and impacts of aviation. As part of new construction at some airports, we perform a noise analysis on the impact of our construction as well as the impacts of our new facilities once they are operational.

CSR Advocacy

To further progress toward our CSR goals, we support responsible advocacy such as initiatives that advance next-generation delivery innovations, talent management, fleet efficiency, and alternative fuel technology.

For example, we support efforts to modernize federal laws and regulations that encourage safety and efficiency advances in transportation technology, such as the use of robotics and drone technology to revolutionize package delivery.

In 2019 for the first time in the U.S., a drone completed a scheduled commercial residential delivery to a home in Virginia. The drone delivery was conducted by Wing Aviation LLC, a subsidiary of Alphabet, Inc., in collaboration with FedEx Express, as part of the U.S. Department of Transportation's Unmanned Aircraft Systems Integration Pilot Program (IP). The delivery of a FedEx Express package on October 18, 2019, marked the launch of our first scheduled commercial residential drone delivery service and the first scheduled e-commerce delivery via drone delivery trial in the U.S. For more about our first-of-its-kind testing of drone delivery, see the [Driving Innovation](#) section in the Economy chapter of this report.

FedEx is also participating in the U.S. Department of Transportation Unmanned Aircraft System IPP in conjunction with the Memphis Shelby-County Airport Authority, conducting drone operations on airport property to generate data to help inform future unmanned aircraft system policymaking.

Likewise, FedEx supports responsible policies to advance alternative fuel technologies for the commercial sector. From 2007 through 2019, we have successfully advocated for legislation and regulation, such as the U.S. Environmental Protection Agency's Phase 2 fuel efficiency and GHG standards, which established first-ever GHG standards for all commercial vehicles in the U.S., and incentivizes the production of clean technology vehicles such as hybrid-electric, all-electric, alternative fuel, fuel cell, and other advanced technology vehicles needed by FedEx, as well as other commercial vehicle fleets.

We have also been working with the state of California to support their public policy efforts toward zero-emission vehicles. We share the state's desire for commercially available, scalable, zero-emission vehicles, and we want to make sure that vehicle manufacturers plan to develop vehicles that can meet our performance needs, including sufficient power, weight capacity, and other requirements.

Also in FY19 and in concert with many others in the transportation industry, we continued engaging with U.S. federal lawmakers and regulators to allow larger 33-foot trailers in a twin configuration. Notably, this solution does not require any change to gross vehicle weight, could increase freight capacity by 18% and reduce truck traffic on highways by 1.3 billion miles per year. The resulting fuel and emissions savings for our linehaul and freight operations, as well as others, could be significant.

To learn more, please view our [Policy Perspectives Overview](#).

Alliances for Industry Progress

FedEx works with various government and industry organizations to foster innovation and improve the transportation sector's environmental, social, and business performance including:

Business and Governance

- American Trucking Associations
- Business Ethics Leadership Alliance
- European Express Association
- Express Association of America
- International Air Transport Association and Airlines for America
- International Civil Aviation Organization
- International Road Assessment Programme
- The Business Roundtable
- Society for Corporate Governance
- U.S. Chamber of Commerce
- U.S. Federal Aviation Administration

Innovation

- Blockchain in Transport Alliance (charter member)
- Blockchain Research Institute

People

- American Industrial Hygiene Association
- American Society of Safety Engineers
- Commercial Vehicle Safety Alliance
- Inner City Capital Connections
- Women's Business Enterprise National Council

Environment

- The Electrification Coalition
- Keystone Policy Center Energy Board
- Renewable Energy Buyers Alliance
- Securing America's Future Energy
- Sustainable Purchasing Leadership Council
- U.S. Department of Energy, National Highway Traffic Safety Administration and National Clean Fleets Partnership
- U.S. Environmental Protection Agency, SmartWay® Program

Corporate Integrity and Compliance

FedEx strives to maintain the highest standards of business and personal ethics. Integrity is essential to the FedEx culture, brand, and reputation, and is a foundational pillar of the company's success. FedEx takes this responsibility seriously and is also committed to complying with all laws in the countries in which we operate.

Corporate Integrity and Compliance department

Each FedEx operating company works within a unique set of regulatory environments and maintains compliance with regional and sector-specific requirements. Globally, the FedEx Corporate Integrity and Compliance department serves as a central resource to further embed the FedEx commitment to integrity in everything we do. Led by our Chief Compliance Officer, this department provides best practices, tools, and guidance, as well as communications and training to team members across the enterprise. FedEx encourages team members to report any potential legal or ethical violation to management, Legal, HR, Security, or the 24-hour FedEx Alert Line, which is accessible via telephone and online, with translations in over 35 languages.

For more information about our compliance record, as well as compliance in the social and economic area, see the [2019 Proxy Statement](#).

Code of Conduct

Trust and reliability are critically important to our customers. FedEx team members earn this trust each day by delivering the Purple Promise. The [FedEx Code of Conduct](#) provides guidance for team members and demonstrates how to act lawfully and ethically at all times. The Code applies to every FedEx officer, director, and team member across the enterprise.

As the foundation of our corporate integrity and compliance program, the Code sets a high standard for team member conduct worldwide. The Code's provisions cover, among other things, workplace health, safety, and environment; human rights; money laundering prevention; equal opportunity and anti-harassment; conflicts of interest; improper payments and bribes; gifts and entertainment; and data security and privacy.

The Code was first adopted in June 2003 and continues to be updated periodically. In 2019, it was updated and streamlined to make sure it remains engaging, accessible, and relevant to our global team members. The Code helps team members understand how to adhere to the laws, ethical standards, ideas, and values relevant to FedEx, offering



scenarios and examples of how to apply the Code in action. Our officers, directors, and managers have the additional responsibility of promoting the principles set forth in the Code and fostering a culture in which ethical conduct is recognized, valued, and demonstrated by all team members. Our commitment to doing the right thing depends on our leaders' ability to set the proper tone and address suspected violations promptly, with care and respect.

Pursuant to the Code, if any FedEx officer, director, manager, or employee knows or suspects a violation of the Code, any law, regulation, or FedEx policy, they must report the matter immediately to a manager, company contact, HR, the FedEx Alert Line, FedEx Legal, or Security.

When a matter is reported to a manager or HR, those team members will review and determine whether it should be escalated to the Legal department. The Legal department has criteria for further escalation within the Legal department management.

Additional policies specify our requirements and expectations on a range of integrity and compliance matters. These are developed and updated when we identify a need for employee clarification, the emergence of new regulations, or other external factors. For more information, see our [policies](#).

Corporate Integrity and Compliance (Continued)

Anti-Corruption Policies and Practices

We are committed to complying with all anti-corruption laws and prohibit bribes of any type throughout our organization. Our [Global Anti-Corruption Policy](#) and related [Anti-Corruption Compliance](#) Procedures provide detailed guidance to team members. Anti-corruption training is required for team members in relevant roles. This includes management in international operations, as well as team members and suppliers who interact with government officials on behalf of FedEx, such as customs and border personnel.

Our third-party compliance program includes due diligence, contractual anti-corruption representations and warranties, annual certifications of compliance, training, contracts, ongoing watch list monitoring, and other practices to mitigate risks. The Code includes a clear prohibition of improper payments and bribes, descriptions of what would be considered improper, questions and answers, and reference to the [Global Anti-Corruption Policy](#) for more detailed information.

We maintain a robust program to ensure that our third-party suppliers and contractors adhere to requirements and expectations for ethical and compliant behavior at all times. This begins with background due diligence and specific contract language, and in some circumstances extends to internal audits, business reviews, annual certifications of compliance, and training in anti-corruption and other topics.

A Workplace Free of Harassment and Discrimination

At FedEx, a respectful and inclusive work environment for all team members is of utmost importance. Through the Code, policies on equal opportunity and non-discrimination, training, and related resources, we strive to create an environment free of harassment and discrimination. Our policy against retaliation encourages employees to come forward to report concerns in good faith. We take any report of such behavior seriously and treat each incident with confidentiality and sensitivity.

Supporting Human Rights

Our commitment to protecting human rights is an important part of our Code of Conduct. We are committed to protecting and advancing human rights in all of our operations around the world. We prohibit the use of child, compulsory, or forced labor, and have zero tolerance for and prohibit slavery and human trafficking. We pay fair wages and comply with wage laws in all the countries where we operate. And we require our third parties and suppliers to uphold these important principles.

Combating Human Trafficking

We share the zero-tolerance policies adopted by the U.S. and other governments against slavery or the trafficking of persons for any purpose. We prohibit trafficking-related activities and expect the same of our suppliers and contractors. We have also launched a training program to educate, equip, empower, and mobilize select team members in this effort.

See the [FedEx Policy Prohibiting Trafficking in Persons](#) for more information about our commitment.



Corporate Integrity and Compliance (Continued)

Ethics, Integrity, and Compliance Training and Communications

Regular training is a key component of our corporate integrity and compliance program. To ensure our compliance training – including courses in anti-corruption, antitrust, conflicts of interest, trade controls, insider trading, data privacy, and other topics covered in the updated Code – connects deeply with our employees, we collaborated with a new vendor to update our online compliance training in FY19. The updated online training is engaging and provides numerous ways for team members to connect with the importance of the messages.

Rollout of the new Code was accompanied by an array of communications and training. For employees who do not have regular access to computers, such as couriers and airport ramp personnel, managers have been given resources and talking points about the Code to discuss in pre-shift meetings. More detailed in-person training has also been developed for certain positions, depending on the role and associated risks they may face as part of their job. For existing team members, the pace of training on the Code and other compliance topics has varying recurrence depending on their job duties and the risks they may face. Every new employee also has exposure to the Code, either through online training or manager discussions.

We also encourage all of our operating companies to implement their own communications plans for the Code, drawing on guidance and best practices provided by the Corporate Integrity and Compliance team and customized to local operating environments and languages. This includes making sure that managers frequently talk about the Code with employees.

With respect to acquisitions, FedEx takes a risk-based approach in determining the type of training new employees will need. We then develop targeted training materials and communications on ethics, compliance, and related policies designed to make sure the FedEx culture of compliance is ingrained in that new company right away. Staff from our Corporate Integrity and Compliance department and/or regional Legal team are available to provide support and training to the newly acquired companies.

Data Security and Privacy

Protecting the privacy of our customers, vendors, and team members is critical to maintaining their trust. We take precautions to safeguard all personal data and ensure a secure environment, including customer transactions. In FY17 and FY18, we took the necessary steps to update our privacy practices and policies in response to the European Union (EU) General Data Protection Regulation. This included creating a Global Privacy Office that addresses not only EU legislation, but upcoming regulations in other regions as well, including the California Consumer Privacy Act in 2020. FedEx also uses Binding Corporate Rules, which were approved in FY19, to enable the flow of European data across our organization.

The FedEx Trust Center website highlights our [Global Privacy Policy](#), along with information about how FedEx protects customer privacy and resources to help customers identify, report, and mitigate risks. Notably, FedEx does not sell its customers' personal data to third parties. For more information, please see our [2019 Form 10-K](#).



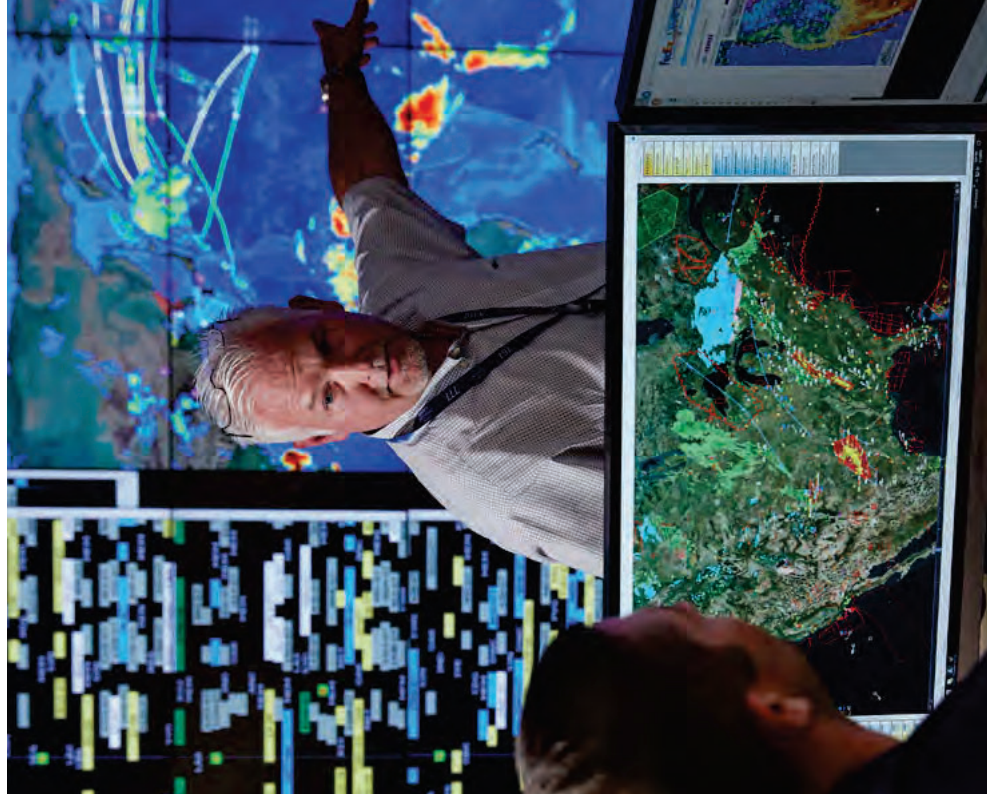
Business Preparedness, Resiliency, and Disaster Response

As a leading global logistics company, we encounter challenging situations, ranging from natural disasters to social unrest, in the course of doing business. Preparing for these events is critical to sustaining our global operations and minimizing impact on customers.

We proactively establish contingency plans that focus on restoring service to customers while ensuring team member safety. We have over 40 years of experience in proactively addressing situations, such as severe weather events, that can occur at any given time anywhere in the world. We are adept at implementing contingency plans at a moment's notice to respond quickly, efficiently, and on a global scale. This positions us to safely restore operations promptly following natural disasters, serve our customers as quickly as possible, and ensure security for their shipments.

Our operating companies have planning teams that apply sophisticated analytical models to assess scenarios that could potentially affect our operations and develop robust strategies to ensure network resilience. These tools incorporate a variety of factors, including but not limited to population, congestion, and demand changes. We also have an in-house, 15-staff meteorology division that utilizes state-of-the-art weather monitoring tools to manage risks associated with global weather patterns.

To further support our internal processes, we participate in State Emergency Operations Centers programs, as well as the FEMA-Northern Command Public-Private-Partnership program, which brings private-sector companies like FedEx together with national, state, and local emergency management organizations to work collaboratively before, during, and after disasters. Our active participation in these initiatives helps us gain the earliest possible safe re-entry to affected areas.



CSR Goals and Progress

In FY19, we made continued progress toward our social and environmental goals, meeting our community investment goal ahead of schedule.

● Goal ● Progress

Investment in communities

Invest \$200 million in 200 communities around the world by 2020

\$219m
\$200m

- ✔ Investment goal met in FY19: \$219 million since 2016.
- ✔ Community goal met in FY18: 378 communities benefited since 2016.

NOTE: FedEx Cares goal was set in 2016 and met in 2019, ahead of schedule. Our new goal is FedEx Cares 50 by 50 – we will directly impact 50 million people by our 50th anniversary in 2023.

Aircraft emissions intensity

Reduce aircraft emissions intensity 30% from a 2005 baseline by 2020

30%

24%

- ✔ 24% reduction from a 2005 baseline.

NOTE: We have not yet achieved our 30% reduction goal due to retained aircraft that had been scheduled for retirement. We have announced we will be retiring aircraft in FY20.

Vehicle fuel efficiency

Increase FedEx Express vehicle fuel efficiency 50% from a 2005 baseline by 2025

50%

40.9%

- ✔ Improved fuel efficiency by 1.3% during FY19, contributing to a 40.9% improvement from a 2005 baseline.

CSR Goals and Progress (Continued)



LEED-certified facilities

Seek LEED (Leadership in Energy and Environmental Design) certification on all new U.S. FedEx Express buildings



Alternative fuels

Obtain 30% of jet fuel from alternative fuels by 2030



Renewable energy

Expand on-site energy generation and continue to procure renewable energy for facilities

FedEx Express (U.S.)

3 22

New LEED-certified facilities in FY19

- ✓ LEED-certified FedEx Express facilities at the end of FY19, totaling 275,850 square meters

- ✓ FedEx Express (Int'l): 3 LEED-certified facilities
- ✓ FedEx Ground (U.S.): 6 LEED-certified facilities
- ✓ FedEx Office (U.S.): 1 LEED-certified facility
- ✓ FedEx Freight (U.S.): 1 LEED-certified facility

Low-carbon, renewable jet fuel

Red Rock Biofuels 1ST

Red Rock Biofuels, which will supply low-carbon, renewable jet fuel to FedEx Express, began constructing a biodiesel refinery in 2019. The refinery anticipates shipping its first delivery of product by the end of 2020.

The first delivery of alternative jet fuels is anticipated in the second half of 2020.

2 25

New solar installations in FY19

Total on-site solar installations at end of FY19

- ✓ More than 23 million kWh generated in FY19
- ✓ 13,447 metric tons of CO₂e emissions avoided in FY19

FedEx Cares: Community Giving

We believe that investing in communities has the potential to multiply opportunities around the world. FedEx Cares, our global community engagement program, is one more way we live out our purpose of connecting people and possibilities.

We deliver the connections that help create possibilities in communities globally by investing in strategies and programs that align with our values. This includes monetary donations, in-kind shipping services, and team member volunteering to benefit communities around the world. FedEx Citizenship evolved its strategy to meet the changing needs of society and our business. FedEx believes we can make even greater impact by strengthening our commitment to three focus areas.

FedEx Cares Focus Areas

Global Entrepreneurship

Providing women and minority entrepreneurs everywhere with the tools they need to succeed.

Delivering for Good

Lending our global network and our unparalleled logistics expertise to organizations with mission-critical needs, especially in times of disaster, and to help communities heal, learn, and thrive.

Sustainable Logistics

Sharing our global logistics expertise to improve urban mobility and accelerate progress toward more sustainable fleets in order to restore and protect the natural environment.

In 2019, we surpassed the citizenship goal we set in 2016 – invest \$200 million in 200 communities by 2020 – and invested a total of \$219 million that benefited 378 communities. Since 2016, we have been honored and humbled to support individuals, communities, and entrepreneurs as they work to create a better future. For example, from 2016 to 2019, the contributions supported include:

- Delivery of 3,108 relief shipments, with humanitarian aid valued at \$105.8 million, to 888 health clinics and hospitals in 41 countries through Direct Relief.
- Access to loans for 10,000 small-business owners helping their businesses reach new heights.
- Training and support for 207 women entrepreneurs in Latin America and the Caribbean, the Middle East, North Africa, and sub-Saharan Africa through the ongoing Vital Voices program.
- Sustainable transportation programs that benefited 7.3 million+ people globally.

In FY20, we launched an ambitious new initiative to build on our good work and celebrate our 50th anniversary in 2023. FedEx Cares 50 by 50 aims to directly impact 50 million people by our 50th year of operations in 2023. FedEx Cares 50 by 50 enables social change around the world

through a combination of charitable giving, in-kind contributions, and team member volunteerism focused on direct and positive impacts to individuals. Already, the program is leveraging FedEx business and logistics expertise and combining it with team members' passion to create opportunities and build more vibrant communities worldwide.

For more information, visit the [FedEx Cares website](#).

50^{by}**50**
Helping 50 million people
by our 50th anniversary.



Community Giving

Goal:

Previous goal: Invest \$200 million in 200 communities around the world by 2020 (FedEx Cares goal was set in 2016).
New goal: Directly impact 50 million people by our 50th anniversary in 2023.

Progress:

Met and exceeded financial contribution goal, with \$219 million invested in communities. Met and exceeded goal for number of communities benefited, with 378 in total.

We are committed to actively supporting the communities we serve through the strategic investment of our people, resources, and network. We provide financial contributions, in-kind charitable shipping services, and team member volunteering to help non-profit organizations achieve their goals and make a measurable impact. We also devote additional resources to FedEx Cares focus areas.

For instance, in support of the Sustainable Logistics focus area, FedEx has collaborated with World Resources Institute (WRI) for the last decade to develop urban mobility solutions in some of the world's fastest-growing cities through a steadfast focus on improved public transit services. These solutions connect people to jobs, schools, and opportunities by improving the quality, safety, and efficiency of public transport. Through support on topics such as quality-of-service benchmarking and perception, fleet electrification, and emissions targets, driver-safety training, route optimization tools, asset management, and fleet mobilization and resiliency planning, this successful collaboration with WRI has helped over 9 million people in 36 cities across Brazil, China, India, and Mexico. These projects have scaled to other countries in Latin America, Europe, and Africa.

FY19 Community Giving

\$62.41m

Total corporate charitable contributions

\$53.78m

Cash grants

\$7.70m

Charitable shipping

\$.93m

Corporate marketing and operating company in-kind giving

\$8.9m

Team member United Way cash contributions

24,684

Team member volunteers, nearly double FY18

105,845

Volunteer hours

> 500

Communities participating



Awards and Recognition

World's Most Admired Companies 2019 (10th)
FORTUNE

100 Best Places to Work 2019 (15th)
FORTUNE

Anti-Corruption and CSR Award
COALITION FOR INTEGRITY

Best Workplaces for Diversity 2018 (15th)
FORTUNE AND GREAT PLACE TO WORK INSTITUTE

Citizens Awards: Best Disaster Response and Community Resilience Program 2019
U.S. CHAMBER OF COMMERCE

America's Top Corporations for Women's Business Enterprises 2018
WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL

50 Best Companies for Diversity 2018
BLACK ENTERPRISE

Innovation by Design Award Honoree for Roxo™, the FedEx SameDay Bot 2019
FAST COMPANY

World's Best Employers 2019 (15th)
FORBES

The Civic 50 Listing of America's Most Community-Minded Companies 2019
POINTS OF LIGHT

Spotlight Impact Award 2019
ERG & COUNCIL HONORS AWARD

America's Most Responsible Companies 2020 (84th)
NEWSWEEK

America's Most Responsible Companies 2020: Travel, Transport, & Logistics Sector (1st)
NEWSWEEK

A- Leadership Level Score, Climate Change Disclosure 2019
GDP

Top Corporate Solar Users 2018 (14th)
SOLAR ENERGY INDUSTRIES ASSOCIATION

Best of the Best Corporation for Inclusion 2019
NATIONAL BUSINESS INCLUSION CONSORTIUM



Economy

Multiplying Growth

We leverage innovation and the efficiency of our network to support our customers in sustainably meeting their shipping needs. With a network that spans six continents, we believe that a more connected world is a more prosperous one, and we are proud of our role as a vital – and responsible – connector of the global economy.

94,000+

By the end of 2020, customers will be able to pick up or drop off FedEx packages at more than 94,000 sites around the world including various grocery stores and pharmacies, FedEx Office locations, and FedEx drop boxes.



Our Approach – Expertise and Innovation

We combine nearly five decades of expertise in transportation and logistics with a longstanding commitment to innovative solutions that deliver outstanding value to our business, our team members, our shareholders, and the customers and communities we serve.

Multiplying Possibilities in Our Business

FedEx provides customers and businesses worldwide with a broad, deep, and innovative suite of transportation, e-commerce and business solutions that multiply opportunities worldwide. By delivering integrated business products and services throughout our network of operating companies, we help to drive growth and lift economies across the globe. Our operating companies are managed collaboratively under the respected FedEx brand and united by our longstanding Purple Promise: to make every FedEx experience outstanding. It guides everything we do. For more information about our operating companies, visit [About FedEx](#).

FedEx remains committed to producing superior financial returns for shareowners by providing high value-added logistics, transportation, and related business services. Our successful strategy of managing FedEx as a portfolio of business solutions allows us to prepare for and respond to marketplace changes quickly and efficiently while providing outstanding service to our customers. As a result, total revenue increased in FY19 by more than 6% to \$69.7 billion, and we climbed to No. 47 on the Fortune 500 list of U.S. companies.

During FY19 and into FY20, we have been closely monitoring and taking appropriate steps to address changes in the geopolitical landscape. This includes mitigating risks associated with shifting global trade volumes, trade policy, uncertainty over Brexit, and softening macroeconomic conditions.

Creating Value for All Our Stakeholders

At FedEx, we are committed to stable, long-term value creation and growth that benefits our stakeholders around the world. We believe that our earnings, value, and opportunities increase if we remain true to the concerns of FedEx stakeholders and operate in keeping with our interdependent interests and aspirations. To this end, in FY19 our Chairman and CEO Frederick W. Smith joined with 180 other CEOs of large companies in signing the [Business Roundtable Statement on the Purpose of a Corporation](#), formally acknowledging a position we have held since our founding: that our company exists to benefit all stakeholders – customers, employees, suppliers, communities, and shareholders.

\$69.7b

in revenue, up 6% from FY18

Financial Highlights	FY17	FY18	FY19
Revenue (\$B)	\$60.3	\$65.5	\$69.7
Operating income (\$M)	\$4,566	\$4,272	\$4,466
Operating margin	7.6%	6.5%	6.4%
Net income (\$M)	\$2,997	\$4,572	\$540
Diluted EPS	\$11.07	\$16.79	\$2.03
Capital expenditures (\$B)	\$5.1	\$5.7	\$5.5
Stakeholder Value Add	FY17	FY18	FY19
Dividends paid to shareowners (\$M)	\$426	\$535	\$683
Salaries and employee benefits (\$B)	\$21.99	\$23.80	\$24.78
Diverse supplier spend (\$B)	\$9.1	\$9.6	\$12.3
Community investment (\$M)	\$65.30	\$64.12	\$62.40

For detailed financial statements, please see our [2019 Form 10-K](#) and other financial disclosures.

Multiplying Possibilities Beyond Our Business

Our belief that a connected world is a better world allows us to add value to customers and communities. With networks that link more than 99% of the world's gross domestic product, we connect people with goods, services, and ideas in ways that strengthen our business, while creating opportunities and positive impacts for society.

Whether we are enabling global trade, helping small businesses expand to new markets, or coaching the next generation of entrepreneurs, our products and services – and the talent of our more than 475,000 team members – connect people and possibilities. Small and diverse businesses support jobs and global innovation. They can be powerful disruptors to the status quo, leading in the development and application of new technologies. At FedEx, we know a thing or two about entrepreneurship and innovation, beginning with the unique vision of our Founder and Chairman, Frederick W. Smith, nearly 50 years ago.

Of course, it takes more than a good idea and hard work to grow a successful business. That's why we empower entrepreneurship through programs that provide tools, resources, and training to help small enterprises succeed. Many of these tools are accessible through fedex.com to conveniently connect business owners with expertise and shipping solutions for everything from fulfilling e-commerce orders and handling returns, to marketing

a small business and expanding to international markets. [The FedEx® Small Business Center](#) provides a wealth of resources, while FedEx Know and GrowSM offers resources and education events for current and potential customers interested in learning more about exporting, importing, and international business growth.

We are pleased to report that in FY19, our global revenue from small and medium business customers grew more than 8%. In the U.S. alone, there are already more than 32 million small businesses, and we are proud to serve so many of them as they grow their reach and their revenue. An example of one of the ways we support our small and medium business customers was our decision to not apply a residential peak surcharge during the 2019 holiday season. We continued this practice for the third year in a row and have received outstanding feedback from small- and medium-sized customers aiming to grow e-commerce opportunities for their businesses.

One of the most significant ways for small- and medium-sized enterprises to multiply their growth is by leveraging trade deals, but many are failing to access these deals. FedEx provides knowledge and resources to help them clear customs confidently and quickly. We also advocate automating as many shipping processes as possible using tools like FedEx® Global Trade Manager, which helps small- and medium-sized enterprises estimate duties and taxes or find the necessary documents. In some regions, we are working with customs authorities to expand clearance solutions for cross-border e-commerce. In China, for instance, we recently launched a “one stop” business-to-consumer import customs clearance solution designed to support small- and medium-sized e-retailers.

We also contribute to global and local entrepreneurship through initiatives that foster economic empowerment by providing training, grants, and other resources. For example, we support Inner City Capital Connections (ICCC), a 40-hour tuition-free program designed

to help small businesses in economically distressed areas build capacity for sustainable growth. The program provides education in marketing, finance, and sales, as well as one-on-one coaching. Since 2017, FedEx has provided funding for ICCC programs across the U.S., helping more than 2,400 small businesses – including 200 in our headquarters city, Memphis, Tennessee – access funding, create good-paying jobs, and support their local communities.

8%

Small and medium business customer segment revenue grew more than 8% in FY19