

To FedEx Team Members: Living the values that define FedEx



Our mission statement is the bedrock of FedEx.

It explains what we do and what we value. As we welcome TNT team members and continue to grow, we must live these values every day, no matter what our individual jobs might be. It's not always easy, but doing so ensures the trust that team members, customers, and the world at large place in us.

As we face the challenges of a new fiscal year, four values in particular will help us keep our eye on the ball — safety, security, service, and compliance. Missteps in any of these areas are highly scrutinized, may be widely publicized, and can damage our outstanding FedEx reputation.

Building quality through QDM

Quality Driven Management underlies all our efforts in these areas. QDM helps us ensure quality in all FedEx activities. QDM must permeate every crevice of FedEx so that we avoid errors or respond quickly to correct them by challenging ourselves to find root causes of problems and avoid assumptions. QDM also provides risk management and planning tools to reduce the potential for errors, and when mistakes happen, to fix them quickly.

Continuous improvement is the reason a company *already* known for quality can get even

better. QDM creates an environment where teams are able to innovate and rapidly test ideas. QDM can lead to great breakthroughs as evidenced by several examples below.

Safety first

In a business as broad and diverse as FedEx, our first concern must be safety. "Safety above all," as we constantly emphasize, is why we've invested

hundreds of millions of dollars to reduce accidents in road, flight, ramp, and yard operations.

In this regard, FedEx is committed to adopting the latest safety technologies for our road fleets. FedEx Express, FedEx Ground, and FedEx Freight have invested heavily in advanced features such as active braking, forward-collision avoidance, and lane departure warning.

Another example of our efforts to improve safety as well as the security of our team members and assets is the widespread installation of GPS in our vehicles. Most of us use GPS every day whether ordering an Uber or a pizza. Making GPS standard on our Class 8 highway trucks will help us improve safety and security

by knowing the locations of these trucks in real time. In addition, GPS can help us improve customer service. At FedEx Express, for example, our goal will be to compress the Estimated Delivery Time Window down to two hours or less. Improved delivery information due to GPS will be

FedEx Mission Statement

*FedEx Corporation will produce **superior financial returns** for its shareowners 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**.*



From the Chairman

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a big plus given the explosive growth of e-commerce and customers' higher expectations.

By the end of FY18, all 30,000 Class 8 trucks will be equipped with industry-leading technologies for greater on-road safety.

As part of FedEx Ground's heavy investment in safety technology in recent years, Ground is offering incentives, throughout 2017, to its highway Contracted Service Providers (CSPs) to implement new safety technology on their tractors. Beginning in the fall of 2018, such technology will be a contracting requirement for line-haul CSPs.

Safety and security improvements don't always require new technology to be effective. For example, FedEx Freight has established a very simple fix to reduce injuries among newer team members who are injured more often than longer-tenured personnel. Now new team members wear a special vest identifying them as such so they can be offered more help learning the job. Due to Freight's extreme focus on safety, injuries were down nearly 16% year over year.

In FY18, FedEx Express kicks off a five-year capital plan to enhance security technologies in the areas of facility alarms, access control systems, closed-circuit TVs, and x-ray screening of personnel and cargo. When the project is complete, there will be more than 50,000 security cameras in U.S. Express facilities. And across opcos, where feasible, we're installing more automated external defibrillators (AEDs) as well as training local team members to use them.

Keeping FedEx secure

FedEx must protect our customers' shipments and minimize the risks of workplace violence, crime, terrorism, and cyber-attacks. The integrity of data, the protection of physical assets, and the personal security of our team members must be an essential focus within all FedEx operations. The following are examples of our efforts in this regard.

FedEx Trade Networks has instituted a QDM-award-winning process called Trade GRADE (Global Risk Analysis Data Evaluation). This system improves Trade Networks' ability to deliver a safe, secure, and compliant global supply chain through the management of some 11,000 vendors. Trade GRADE mandates service providers to self-evaluate their security compliance against Trade Networks' requirements before they can be used as a FedEx supplier. Noncompliant service providers are de-activated and cannot transport our customers' cargo. Trade GRADE is a repeatable process that uses automated tools to identify, measure, and manage security risks. Annual savings so far are more than \$750,000 compared with a traditional manual process.

Due to regulatory requirements issued by the UK's Department for Transportation, FedEx Security had to establish a physical screening program for shipments on flights to the UK. Our system had to meet compliance standards without impeding sort operations or delaying flights. The FedEx Security team formed a Quality Action Team and determined that x-ray technology was not a viable solution due to the limited number of packages that could be screened during express sort times. We proposed the use of explosive-detection canines that resulted in a reliable, efficient, and compliant screening process without negative effects on operations. Now, both the Memphis and Indianapolis Hubs use explosive-sniffing dogs in their security-screening processes. Many other FedEx locations are also using these remarkable animals.

One of our newest innovations for personal security is the LiveSafe app. It's a mobile safety and security platform that delivers mass messaging and crowd-sourced security intelligence that can be acted on. Currently in rollout, LiveSafe is designed to prevent accidents and incidents before they occur and quickly connect FedEx team members to help they may need. Team members can report safety and security tips or violations (including photos, videos, and voice files), quickly get emergency

numbers, and see maps of the nearest emergency services. LiveSafe users can walk and have a peer in the LiveSafe user community watch them do so virtually on a mobile phone.

Cyber-attacks: a growing threat

Cyber-attacks have become one of the biggest risks to organizations everywhere as evidenced at FedEx by the recent disruption of TNT's information systems. As cyber-threats increase in number and sophistication, FedEx is working hard to fortify our systems and processes using state-of-the-art security tools to meet the challenge. Many new attacks are derived from state-developed cyber-warfare programs and are therefore very difficult to stop. We must strengthen our capabilities to operate within this new environment. Many new safeguards are being introduced to block malicious content from the internet and to deploy the very best systems to defend against attacks. New access control and privilege systems that upgrade protection and privacy are being introduced. At the same time, we're expediting the retirement of legacy systems that simply cannot be protected against today's malware. We are collaborating with the best cyber-security firms in the world to develop enhanced defensive systems. We're now better able to defend our data with more resilient IT operations that our customers expect from FedEx. Since cyber-attacks are an ongoing challenge, we need every teammate, not just IT security professionals to diligently manage FedEx information they receive and distribute every day.

Providing great service

Keeping our Purple Promise — "I will make every FedEx experience outstanding" — is the basis of providing great service. By living the Purple Promise every day, we're able collectively to achieve unprecedented customer satisfaction. For example, our dedication to QDM and the Purple Promise was demonstrated last peak season when we reached the highest service levels ever, even as we handled our highest volume ever. We're committed to raising the service bar with well-trained team members, the best equipment

and technologies, expertly designed systems and processes, and continuous improvement.

A great example of QDM is FedEx Express Air Operations reaching higher aircraft dispatch reliability levels month after month. On-time flight departure is the key to on-time FedEx Express service.

Furthermore, the Air Operations team knows that every minute counts to ensure on-time flights that meet our commitment to customers. To further continuous improvement, the team recently kicked off a major QDM initiative focused on Memphis Superhub operations. One of the outcomes was that flights now arrive in Memphis seven minutes earlier than before which provides more time for sorting, more time for delivery, and more satisfied customers.

Air Operations developed and patented an analytics model to predict pilot fatigue thereby improving flight safety. NASA has praised this tool as "leading edge" in the challenging realm of predicting human behavior.

FedEx Freight has added a competition to amp up its team members' freight-handling skills. Launched last January, the first-ever freight-handling competition assesses the knowledge and skills of dockworkers and ultimately leads to an improved customer experience. More than 1,000 team members applied and met the requirements to compete. Finals for the competition will coincide with the National Truck Driving Championship in August at which FedEx has won many awards over the years. While the freight-handling competition is currently an internal contest, opco team members are confident they can grow it into an industrywide event.

Another service improvement example: Two years ago Freight CEO Mike Ducker threw down the gauntlet to reduce loss and damage claims. Since then, Freight has lowered claims by almost 22%. The Freight team intends to keep improving in those areas through more-efficient loading



From the Chairman

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processes, additional tools, and further facility enhancements.

Commitment to compliance

Efforts to deliver safety, security, and top-notch customer satisfaction require our daily focus on maintaining integrity and compliance with all rules, regulations, and laws. As noted in our Mission Statement, we must adhere to the “highest ethical and professional standards.”

This means, day to day, every team member’s actions matter. What we do in our work affects the FedEx brand and reputation as well as our delivery of the Purple Promise. Every member of the FedEx team must behave in the most reliable, respectful, honest, trustworthy, and fair manner. Every FedEx activity must be ethical, even if it costs us business or profits in the short term. Proper business conduct encourages loyalty among team members, suppliers, and customers and fosters a rewarding relationship between FedEx and the communities where we operate.

To help us stay true to our values, the [FedEx Code of Business Conduct and Ethics](#) is a roadmap for every team member around the world. The Code is translated into 32 languages and provides real-life examples of issues team members may encounter. Please make sure you’re familiar with the Code in terms of the policies and procedures that apply to your job. If you see an ethics violation, you must report it to your management, the Legal department, the Human Resources department or, if you wish to report anonymously, the FedEx Alert Line.

Recently, we’ve taken steps to reinforce the integrity and compliance message to team members far and wide. Here’s a sample of some excellent work being done in this area:

- We formed an extensive compliance and training program at TNT and conducted live training to more than 10,000 team members in 43 countries in FY17. Efforts included policy

training not just for team members but also third parties.

- Last November FedEx Ground sponsored a National Corporate Compliance and Ethics Week. During that time, Ground provided daily videos and communications on topics such as employee shipping, the Global Gifts and Entertainment policy, the Code, the Alert Line, and more. FedEx Ground creatively conducted an electronic scavenger hunt to raise compliance awareness.
- Each of our international regions has undertaken multiple compliance initiatives. Executive compliance committees are being established. Risk-based training for officers and managing directors, Sales, and additional groups is being conducted. As part of their education activities, the Asia Pacific Region held a Compliance Day where employees participated in a host of activities to reinforce APAC’s commitment to compliance.

The FedEx brand is one of the most trusted in the world. That hasn’t happened by accident. It’s due to team members delivering the Purple Promise every day. It’s due to constant attention to safety, security, service, and compliance through the lens of QDM continuous improvement efforts. It’s due to every team member acting with integrity and transparency in the best interests of our customers and each other.

Thank you for your daily dedication to these essential FedEx values.

Frederick W. Smith
Chairman and CEO

Asia Pacific (APAC)

In FY17, the APAC region beat safety records. China, North Pacific, and South Pacific all performed better than goal in the key metrics of vehicle injury rate (VIR) and individual injury rate (IIR). Our focus on continued improvements in safety — our number one priority — is maintained via monthly reviews and QDM initiatives.

In APAC, we have enhanced the customer experience for small shippers by integrating the first four steps in shipping into a seamless digital flow. We also plan to incorporate WeChat Pay to allow non-account cash shippers easier access to FedEx services. WeChat is an app that is “a must” in China, where more than 700 million¹ people use the platform to do everything from paying for utilities to checking messages and ordering deliveries.

This option for customers in China to make mobile payments using WeChat² was a turning point — a significant step in a country where mobile payments are nearly 50 times greater than those in the U.S.³

¹The Economist, 2016

²FedEx China service news, FedEx China website, 2017

³FT, February 2017

Canada

FedEx Express Canada continues to drive innovation and customer experience excellence through FedEx RetailShip 2.0. Developed and managed locally, FedEx RetailShip is a web-based shipping and scanning solution designed to support 400-plus retail access points, including FedEx Ship Centre locations and third-party retailers. FedEx RetailShip enables retailers to process shipments, accept packages, and provide hold-at-location services. The interface was developed using Quality Driven Management principles, including direct participation from retail alliance employees and FedEx team members who manage the retail counters at FedEx Ship Centre locations. FedEx RetailShip overarching

design principles are rooted in providing a user-focused, simple, yet powerful, experience. The program has been very successful in its initial seven-month period from both a volume and revenue perspective. In addition, when pilot users were asked to score the new solution, FedEx RetailShip scored a 90% satisfaction rating and has seen a 100% adoption rate at our largest retail alliances.

Latin America and Caribbean (LAC)

The FedEx Express LAC region has grown considerably in the last few years. To maintain this growth, it is important for the division to focus on priorities that are specific to our business. Our main initiatives are Profitable Growth, Integration, Solutions & Verticals, and Promoting the PSP Culture.

To achieve profitable growth, we must draw on strengths that are part of our value proposition. In turn, we will continue to drive domestic and international growth in markets such as Mexico and Colombia.

Integration in FY18 will be key for LAC as we continue to migrate TNT associate markets to FedEx and begin operational integrations in the direct-serve markets.

In FY17, LAC opened two new supply chain facilities — one in Mexico and one in Panama. These facilities, along with the capabilities in Brazil, will allow us to further penetrate the e-commerce and high-tech verticals.

It is always important to promote the FedEx PSP culture, but especially in times of integration. This year, we will also enlist the help of our new Customer Experience organization to help increase customer loyalty and improve internal efficiency.

Europe

In FedEx Express Europe and beyond, our commitment to the Purple Promise across every level of business sets us apart from the competition. Service levels and listening to the customer are key to delivering outstanding



From the Chairman

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experiences and earning customer loyalty. We're focused on taking service quality to even higher levels. Delivering best-in-class service and our commitment to the Purple Promise will continue to differentiate us.

The way we measure and set service goals across key activities is critical in this endeavor. That's why we're reviewing the way we measure service so we capture the right data and set the right targets to further improve performance. Ensuring these are consistent across businesses will also be an important aspect of our integration efforts.

Furthermore, capturing customer feedback accurately and in real time is also a key part of delivering outstanding experiences. Our new Purple Pulse initiative helps us gather immediate feedback from our customers and prospects across all touchpoints. We have never been able to capture and share customer feedback in this way before. Ensuring customer feedback, whether positive or negative, gets to the right people who can act on it will provide us the tools we need to continue delivering great service, keeping us ahead of the competition.

Middle East, Indian Subcontinent, and Africa (MEISA)

FedEx Express MEISA, the newest international region, has a diverse team, represents more than 70 countries, and is home to 44% of the world's population.

FY17 was a year of change for MEISA, with a new senior leadership team delivering strategy outlined for the region. As part of people engagement, Survey-Feedback-Action (SFA) was extended to seven additional countries in Southern Africa, giving the opportunity for our team members there to further engage within their teams and the business.

Our people-first approach is recognized outside the company as well, with the Great Place to Work® Institute recognizing FedEx Express as a top 10 company in the United Arab Emirates for

the seventh consecutive year and as the leading transportation company in India last year.

The MEISA region delivered on its service commitments, with outbound services introduced from four additional countries: Niger, Reunion, Mali, and Burkina Faso. With integration well underway across MEISA, FedEx and TNT routes, facilities, and retail locations are being combined across the region to provide an expanded range of service offerings for our customers.

Looking ahead to FY18, MEISA is focused on delivering our dedicated strategic plan, which identifies core people, service, and profit goals and key initiatives to grow revenue, market share, and profit.