



## Moving the world forward

Like so many, COVID-19 hit close to home for FedEx team member Bruce Smith. Just before Mother's Day, his sister contracted the virus. And when she lost her battle, it fell to Bruce to tell his 92-year-old mother, living in a nursing home. Bruce's description of that day is heart-wrenching. "They allowed me in," he said, "and they suited me up with personal protection to allow me to tell her that her daughter had passed away. I'm a two-time combat vet. I've been through a lot of things in this life. But that was one of the hardest things for me to ever do."

As a result of this pandemic, far too many families have experienced the same type of loss that Bruce endured this past year. But Bruce's full story also reveals 2020 as a year of resilience and hope. Because in 2020, the world's brightest scientific minds developed vaccines in record time to combat this awful disease. When it came time to transport these vaccines quickly and safely, FedEx answered the call. And Bruce was there at our FedEx Express facility in Grand Rapids, Mich., to help with some of the very first vaccine shipments.

Bruce says his sister would be proud of his role in the transport of COVID-19 vaccines, adding, "And I'm glad to be a part of it so that others won't have that same fate that my sister did." Throughout 2021, FedEx and team members like Bruce will continue to play an enormous role in the fight against this pandemic. Before I focus on the future, I'd like to first share my most sincere appreciation for all this team has accomplished on behalf of our company and, truly, the world this past year. To do that, let me briefly discuss where we've been.

### Where we've been:

The FedEx leadership team entered 2020 with great confidence in the strategic plans we'd announced, many of which I've detailed in recent editions of *From the Chairman*. These plans included significant steps to proactively craft our e-commerce strategy, improve our international performance, and make full use of the incredible amount of data we see as we move more than 18 million packages and pallets through our networks each day.

In January 2020, FedEx was immediately faced with the pandemic in China. We took extraordinary measures — with safety as our top focus — to transport some of the first healthcare and personal protective equipment into Wuhan when very little was being moved into that area. From there, we saw a cascade of stay-at-home orders and economic headwinds throughout the globe.

In March and April, FedEx borrowed \$3 billion so we would have adequate cash on hand to brave the uncertainty the pandemic created for virtually all companies, including ours. Amid the unpredictability of that time, including questions about how long the pandemic would last, FedEx was able to take steps to protect our future due to our history of financial success and the power of the FedEx brand and reputation. All of this stems from the dedication of our team members over many decades and our work on the frontlines to respond to the crisis. This is a perfect example of the FedEx People-Service-Profit philosophy at work in tough times.

**As an essential business, we continued our operations, keeping the world's healthcare, industrial, and at-home supply chains moving.** I highlighted many of our team members' tremendous efforts in the July edition of *From the Chairman*. Since that time, this team has continued to contribute to relief efforts on a scale that — to see it on paper —



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is almost difficult to fathom. As one illustration of our overwhelming response, from last February through the end of 2020, FedEx Express delivered more than 60 kilotons of personal protective equipment, including more than 2 billion masks.

Because of our proactive planning for the growth of e-commerce, we were also positioned to support our customers as people stayed home and shopped online. I devoted a previous issue of *From the Chairman* to these strategies, which have been indispensable in managing peak-like shipping volumes in the U.S. since last March.

Years of diligent planning continue to pay off when it comes to e-commerce. In September, we expanded Sunday residential delivery to nearly 95% of the U.S. population, and since then, we've made more than 55 million Sunday residential deliveries. In October, we celebrated the 10 millionth delivery of a Last Mile Optimization package. This strategy puts the right package in the right network at the right cost to serve. This past quarter, we completed the insourcing of SmartPost volume to improve density for residential deliveries and finalized the rollout of technology to help improve the efficiency of the last mile. In December, FedEx Delivery Manager surpassed 30 million enrollments. We've also set new record highs in returns volume for the past seven straight months. **These data points represent years of painstaking planning, and I am proud of the teams behind these remarkable milestones.**

## Where we're going:

On December 14, 2020, at 5:53 a.m. ET, FedEx Express courier Christine Arigo delivered the first COVID-19 vaccine in the U.S. to Boston Medical Center in Massachusetts. We are continuing to ship vaccines and critical medical supplies throughout the U.S. and Canada, and we're prepared to ship vaccines to more than 220 countries and territories for as long as necessary to help eradicate COVID-19. This is the top priority for the FedEx Express network, with support from FedEx Logistics and FedEx Custom Critical.

That first delivery was preceded by months of rigorous planning across many teams, as well as the development of solutions like ultra-cold freezers and technologies built to handle the mass movement of vaccines through our network. Our proprietary SenseAware ID technology uses a lightweight, compact sensor and serves as another example of the incredible foresight of our team. Long before FedEx was faced with COVID-19 — much less the need to transport a vaccine — work was underway to install infrastructure throughout the entire U.S. FedEx Express network in preparation for the rollout of this technology.

This work means U.S. vaccine shipments equipped with the SenseAware ID device are tracked hundreds of times versus dozens of times with traditional scanning while inside the FedEx Express network. From there, FedEx Surround — our joint solution with Microsoft — brings together this near-real-time data from SenseAware ID and other sources and gives our Priority Alert and Ops teams the ability to spring into action and reroute if a disruption — like a snowstorm — occurs. **Taken together, our dedicated teams and these sharp solutions have positioned FedEx to step up to meet this moment.**

## On the international front

Our international volume — particularly priority volume — remains strong, especially as air cargo capacity is at a premium. We will continue to lean into international e-commerce, which is a significant international market opportunity. This focus will mean more packages on our planes, increasing our revenue per flight. Despite the pandemic, we're continuing to make

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strides with the integration of TNT, aided by our North Star strategy in Europe, and we are seeing faster transit times and a more unified customer experience along the way. While this continued integration has brought about the necessary but very difficult step of resizing our European workforce, once this integration is complete, our single integrated air and road networks will provide unmatched capabilities around both parcel and freight services.

## **Delivering the future**

Our strategic operating principles — Compete Collectively, Operate Collaboratively, Innovate Digitally — as detailed by Raj in *From the President* will contribute to our success in a significant way. I'll briefly spotlight Innovate Digitally, where we've seen a number of accomplishments in a short period of time.

Due to the massive amounts of data we create every day, FedEx has an unprecedented level of control and insight into the global movement of our customers' goods for faster, more efficient delivery. FedEx Surround was launched in May, working hand in hand with Microsoft. Whether it's a healthcare shipment on its way to save a life or a part needed to keep a factory from shutting down, this technology will provide the ability to dynamically inform customers of the status of their shipment and using artificial intelligence and machine learning, predicts failures and takes action even before delays occur.

The first week of December, we announced our intent to acquire the e-commerce platform ShopRunner. The very next week, we introduced FedEx Dataworks. Residing within FedEx Services, Dataworks was created as a startup — a lean team tasked with one big idea: putting the incredible amount of data FedEx has at its fingertips to work. This team continues to work like a startup, but with access to the resources of a global corporation to use data to transform experiences — both physical and digital — for our customers and team members.

ShopRunner, which we officially acquired in late December, will operate as a part of FedEx Dataworks. This established e-commerce platform connects online shoppers with the brands and merchants they love. By combining ShopRunner's expertise with the digital and logistics intelligence of FedEx, we can deliver seamless shopping experiences to consumers — from inspiration to delivery. FedEx and ShopRunner also come together under one shared vision: a better way for brands and merchants to compete in e-commerce. **Innovate Digitally is key to delivering the future, and I'm proud of the way we've put this principle into action.**

## **The Shipathon**

**The end of 2020 brought with it "The Shipathon," which was the most incredible peak season in our company's history.** FedEx Ground shattered previous milestones with the pickup of 20 million packages on Cyber Monday and delivered more than 27 million packages the four Sundays between Thanksgiving and Christmas Eve. We used the power of our expanded seven-day-a-week operations to process this historic peak volume at Ground, which included a nearly 17 percent increase in average daily volume from the previous peak season.

Throughout peak, we saw Operate Collaboratively at work, with FedEx Freight delivering nearly 429,000 packages in its first year of peak package delivery support for FedEx Ground. Not only did FedEx Express deliver the first COVID-19 vaccine in the U.S. in December, this team also managed record volumes during peak season. Truly remarkable. FedEx Logistics was indeed the Force Multiplier throughout peak season. FedEx Supply Chain processed an unprecedented number of outbound packages between Black Friday and Christmas, and FedEx Trade Networks reported 92 percent more Express brokerage volume year-over-year.

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FedEx Office broke every record in the book during peak. This includes all-time high packing and shipping revenue, as well as highs for single-day volume in SameDay® City deliveries. Even amid these historic volumes, Office customer service levels improved year-over-year. Outstanding!

Our systems were key enablers during the Shipathon. From the technology that connects our customers to the systems that power our operations, they all performed flawlessly. Shipping, tracking, sorting, routing, and rating all set significant new milestones during peak while delivering record up-time performance.

## **Moving the world forward**

This team has given our customers and the world countless reasons to say, "With FedEx, I trust what's next," and we'll reflect this idea with a new global tagline: **FedEx. Where now meets next.** This tagline will be introduced to the world with a new digital campaign and TV spot launching this Sunday and focusing on your extraordinary vaccine delivery efforts. "Where now meets next" is not just a phrase — it's a representation of our immense pride in this team and how you are moving the world forward. It also represents the strength of our company's tremendous physical and digital capabilities, as described in this letter.

As we enter a new calendar year, I want to acknowledge the uncertain and challenging times we have experienced and continue to navigate. However, through it all, I have witnessed the very best of human nature through our FedEx team members — your incredible commitment to our core values, our communities and each other. I'm extremely optimistic about the future of our company and grateful for each of our nearly 600,000 team members. To Bruce, Christine, and every member of our FedEx team, thank you for showing the world who we are and what we do.

A handwritten signature in black ink, appearing to read "Fred", written in a cursive, flowing style.

**Frederick W. Smith**  
Chairman and CEO