

Second-Party Opinion

FedEx Corporation

Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that FedEx Corporation’s Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Green Buildings, Energy Efficiency, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Pollution Prevention and Control, Renewable Energy, and Socioeconomic Advancement & Empowerment – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 9, 10, 11 and 12.



PROJECT EVALUATION / SELECTION FedEx Corporation’s Sustainability Finance Committee will be responsible for the review and selection of Eligible Projects, based on its assessment of their social and environmental impacts. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS FedEx Corporation’s Sustainability Finance Committee will establish the Eligible Project Portfolio to include Eligible Projects and ensure proceeds are allocated accordingly. FedEx Corporation may temporarily use the balance of unallocated proceeds for the settlement of outstanding debts or invest them in other capital management activities. This is in line with market practice.



REPORTING FedEx Corporation intends to provide allocation reporting on its website on an annual basis until full allocation. The allocation reporting is expected to include the total amount allocated to Eligible Projects, and the balance of unallocated proceeds. In addition, FedEx Corporation may report on relevant quantitative impact and has provided examples of potential indicative metrics within the Framework. Sustainalytics views FedEx Corporation’s allocation and impact reporting as aligned with market practice.

Evaluation date	April 15, 2021
Issuer Location	Memphis, Tennessee, USA

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	10

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Introduction

FedEx Corporation (“FedEx”, or the “Company”) is a multinational organization, headquartered in the United States, that provides a broad portfolio of transportation, e-commerce, and business services. It is the parent holding company to a number of FedEx companies which include, Federal Express Corporation (“FedEx Express”), FedEx Ground Package System, Inc. (“FedEx Ground”), FedEx Freight Corporation, FedEx Corporate Services, Inc. (“FedEx Services”), FedEx Logistics, Inc., and FedEx Office and Print Services, Inc.

FedEx has developed the FedEx Sustainability Bond Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to provide environmental and/or social benefits. The Framework defines eligibility criteria in seven areas:

1. Clean Transportation
2. Green Buildings
3. Energy Efficiency
4. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes (“Eco-efficient and/or Circular Economy”)
5. Pollution Prevention and Control
6. Renewable Energy
7. Socioeconomic Advancement & Empowerment

FedEx engaged Sustainalytics to review the FedEx Sustainability Bond Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG), Green Bond Principles 2018 (GBP), and Social Bond Principles 2020 (SBP).¹ This Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by The International Capital Market Association (“ICMA”);
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of FedEx’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. FedEx representatives have confirmed (1) they understand it is the sole responsibility of FedEx to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The FedEx Sustainability Bond Framework will be made available on FedEx Corporation’s website at: <https://www.fedex.com/en-us/sustainability/financing.html>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and FedEx.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warranty of any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that FedEx has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the FedEx Sustainability Bond Framework

Sustainalytics is of the opinion that the FedEx Sustainability Bond Framework is credible, impactful and aligns with the four core components of the SBG, GBP, and SBP. Sustainalytics highlights the following elements of FedEx's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Green Buildings, Energy Efficiency, Eco-efficient and/or Circular Economy, Pollution Prevention and Control, Renewable Energy, and Socioeconomic Advancement & Empowerment – are aligned with those recognized by the GBP and SBP.
 - FedEx has established a three-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Clean Transportation category, FedEx may invest in:
 - Low-carbon land transportation including hydrogen-powered vehicles, electrified vehicles such as intermodal rail, and associated infrastructure such as electrified charging, drones, hostlers, and robotics, and platooning technologies. Sustainalytics notes that fossil-fuel powered vehicles are excluded and considers the criteria to be aligned with market practice for green transportation.
 - Aviation projects aimed at the adoption of sustainable aviation fuels, in particular, the cost of procuring sustainable biofuels⁴ from biorefineries and the capital infrastructure costs to support rollout of biofuels across FedEx facilities.⁵ Refer to Section 3 for discussion on the environmental impacts of clean transportation.
 - Under the Green Buildings category, FedEx may finance the construction or improvements of FedEx facilities that have achieved a recognized green building certification. Sustainalytics views the scheme specified by the Framework – Leadership in Energy and Environmental Design ("LEED") "Gold" or above or equivalent – to be credible and the levels selected to be indicative of positive impact and aligned with market practice. For Sustainalytics' assessment of LEED certification, please refer to Appendix 1.
 - For the Energy Efficiency category, the Framework allows for investments in building upgrades including energy management and monitoring equipment such as LED lighting, and smart meters. Sustainalytics considers investments in energy efficient equipment to be aligned with market practice.

⁴ FedEx has communicated that it does not intend to finance the costs associated with blended biofuels through the sustainability bonds issued under this Framework. Sustainalytics further notes that the Framework is limited to investments in jet biofuels derived from waste feedstock sources that avoid competition with food resources.

⁵ Sustainalytics has confirmed that FedEx will not finance the cost of transporting biofuels under this category.

- For the Eco-efficient and/or Circular Economy category,⁶ FedEx may finance sustainable packing solutions including:
 - The expenditures related to the research & development (“R&D”), testing, development and implementation of new initiatives or technologies with the primary purpose of seeking to minimize materials, dimensions, weight, and waste related to FedEx packaging solutions. Sustainalytics has confirmed that the financing will be limited to only those projects or activities that have the primary purpose of achieving sustainable packing solutions. Sustainalytics further recognizes the environmental impact of investments in process improvement activities leading to reduction in resource consumption and considers the criteria to be aligned with market practice.
 - Projects that aim to increase material re-usability, recyclability, and compostability of packaging solutions, as well as the use of recycled materials. This may include expenditures related to the research & development, testing and evaluation of sustainable materials and the improvements in existing materials to make them more sustainable.
 - The expenditures may also be towards material sourcing initiatives, including the R&D and partnership costs for developing and procuring materials or designs that enhance the reusability of FedEx’s packaging solutions.
 - Sustainalytics has confirmed that the financing will be limited to only those projects or activities that have the primary purpose of identifying, developing, or procuring sustainable packing materials and considers the criteria to be aligned with market practice.
- Under the Pollution Prevention and Control category, the Company may invest in: (i) waste management projects that intend to facilitate recycling, optimize waste material reuse, and increase waste diversion rates, and (ii) expenditures related to R&D in the field of long-term natural carbon sequestration technologies including enhanced weathering.
 - For investments in the recycling and optimization projects, FedEx has communicated that it outsources the waste collection process to third-party vendors that are required to undertake FedEx surveys to verify material segregation process and that it tracks the material-wide tonnage of waste collected through a waste management portal. The recycling material may include organics, cardboard, pallet, metal, paper, and plastic waste. Sustainalytics has confirmed the exclusion of e-waste from the recycling material and considers the criteria to be aligned with market practice.
 - Sustainalytics considers the financing of expenditures towards R&D in long-term natural carbon sequestration solutions to be aligned with market practice.
- Under the Renewable Energy category, FedEx may finance expenditures related to on-site photovoltaic solar projects and long-term (greater than eight years) power purchase agreements with on-site solar projects. Sustainalytics considers these criteria for investments in renewable energy projects to be aligned with market practice.
- For the Socioeconomic Advancement & Empowerment category,⁷ FedEx may finance the expenditures associated with the expansion of its Supplier Diversity program,⁸ which aims to promote diversity within FedEx’s supply chain through identification and validation of small businesses⁹ owned by women or minority entrepreneurs (the “Target Groups”) as its suppliers. The expenditures may include the cost of (i) seeking third-party certification for verifying the minority status of the small business owners, (ii) conducting capacity building programs for the Target Groups, and (iii) incremental services taken by FedEx from the newly on-boarded small businesses under its Supplier Diversity program.
 - As required by the SBP, the Framework defines specific target populations.
 - For the costs associated with services provided by the newly boarded small businesses, Sustainalytics notes that the allocation of sustainability bond proceeds for the procurement of goods or services that are not directly related to the Company’s green or socially beneficial assets or activities does not fully align with market practice. Nonetheless, Sustainalytics recognizes the potential impact of procurement from

⁶ FedEx has confirmed that it does not intend to finance the material production process under this category.

⁷ Sustainalytics notes that the Framework excludes financing of fossil fuel-related expenditures under this category.

⁸ FedEx website, “Supplier diversity”, at: <https://www.fedex.com/en-us/about/diversity-inclusion/supplier-program.html>

⁹ Small businesses are defined in the Framework as organizations that are at least 51% independently owned and operated, are not dominant in the field of operation in which it is bidding, and qualifies as a small business under the criteria and size standards as defined under Section 3 of the [Small Business Act](#).

small businesses owned by historically disadvantaged populations. Further, it is viewed positively that this category is underpinned by a quantitative performance in FY20 (Please refer to Section 2 for more details); Sustainalytics notes that the issuer intends to allocate no more than 10% of proceeds to this area and encourages FedEx to continue reporting on its progress in this area in order to provide assurance of the impacts achieved by these investments.

- Project Evaluation and Selection:
 - FedEx’s Sustainability Finance Committee, which includes representatives from the Legal, Treasury and Investor Relations functions, will be responsible for the evaluation and selection of Eligible Projects, per the criteria defined in the Framework.
 - In addition, Eligible Projects are expected to comply with the environmental laws and regulations applicable in their respective region of operation. Refer to Section 2 for details on how FedEx manages environmental and social risks through compliance with internal policies and regulatory requirements.
 - Based on the establishment of a formal committee, and a well-defined selection process for Eligible Projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Sustainability Finance Committee of FedEx will be responsible for allocating and tracking of proceeds to an Eligible Project Portfolio (the “Portfolio”).
 - FedEx intends to achieve a level of allocation for the Portfolio which matches or exceeds the balance of net bond proceeds within 24 months from the date of issuance.
 - FedEx may temporarily use the balance of unallocated proceeds for the settlement of outstanding debts or invest them in other capital management activities.¹⁰
 - Based on the establishment of the Portfolio and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - FedEx intends to publish an annual report on its website after one year of Instrument issuance, to report on the allocation and the impact of proceeds on an annual basis until full allocation or the maturity of the Instrument.
 - Allocation reporting is expected to include the total amount of proceeds allocated to Eligible Projects, proportion of financed and refinanced projects, and the balance of unallocated proceeds.
 - Impact reporting is expected to provide category-wide impact of the Eligible Portfolio against respective key performance indicators including (i) annual greenhouse gas (“GHG”) emissions avoided, (ii) annual energy savings, (iii) tons of waste recycled, and (iv) percentage of overall spend allocated to diverse suppliers.
 - Based on the Company’s commitment to allocation reporting and, where applicable, impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the FedEx Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of FedEx

Contribution of Framework to FedEx Corporation’s sustainability performance

Sustainalytics is of the opinion that FedEx demonstrates a commitment to sustainability through its focus on the following areas: (i) minimizing impact from operations, (ii) upgrading and modernizing aviation and vehicle fleet, (iii) using technologies to enhance environmental performance within facilities and materials,¹¹ and (iv) generating social impact across FedEx Supply Chains.

¹⁰ Sustainalytics notes that the Sustainability Finance Committee will also oversee this process to ensure that unallocated proceeds are not be invested in activities or assets that are associated with emission-intensive sectors.

¹¹ FedEx report, “Global Citizenship Report 2020” (2020), at: [FedEx_2020_Global_Citizenship_Report.pdf](#)

To minimize environmental impact from its operations, FedEx has committed to net-zero operations by 2040.¹² The Company's carbon-neutral goals include vehicle electrification, sustainable aviation fuel, aircraft modernization, and a sustainable supply chain. To upgrade and modernize its fleet, FedEx has committed to 50% of vehicle purchased being electric by 2025, rising to 100% of purchases by 2030.¹² The Company has also established a target to obtain 30% of its jet fuel from sustainable fuels by 2030.¹² Other key steps towards enhancing environmental performance include investments in energy efficiency and on-site renewable energy generation in facilities worldwide, including a commitment to seek LEED or BREEAM certifications on all new FedEx Express buildings in the United States and Europe, and certified facilities where applicable. Additionally, FedEx indicates continued investments in carbon-neutral shipping offerings and sustainable packaging solutions, such as 100% recyclable packaging composed of 45% recycled content.¹²

FedEx has reported performance towards its sustainability targets within the Company's 2020 Global Citizenship Report. The Company has reported a 40% decrease in absolute CO₂ emissions intensity across the enterprise from 2009 to 2019, in a period in which revenue grew by 96%.¹¹ FedEx has reported 3,140,299 metric tons of CO₂e emissions avoided from enterprise-wide fuel and energy saving initiatives in 2019.¹² In line with its second focus area, the Company has also reported improving fuel efficiency by 40.9% in 2019 compared to a 2005 baseline. FedEx's previous aircraft emissions reduction targets include emissions intensity reduction by 30% from a 2005 baseline by 2020. FedEx has reported a 27% reduction aligned with this goal in 2020.¹³ In addition, the Company has facilitated three new LEED-certified facilities and 22 existing FedEx Express facilities. FedEx has expanded on-site renewable energy generation to two new solar installations in 2019 with more than 23 million kWh generated in 2019. This equates to 13,447 metric tons of CO₂e emissions avoided in 2019. Regarding social objectives, FedEx's Supplier Diversity program, launched in 1992, and which involves seeking diverse suppliers by sourcing from small, minority and women owned businesses. The program aims to invest in training, mentoring, networking and access to capital for small businesses and minority entrepreneurs.¹³ In FY20 FedEx reports to have procured USD\$13.3 billion in goods and services from diverse and small business suppliers in the United States. Of this, 7% was spent on women-owned businesses, 12% on minority-owned and the remaining 81% on small-business suppliers.¹³

Sustainalytics is of the opinion that the FedEx Sustainability Bond Framework is aligned with the company's overall sustainability strategy and performance and will further the Company's action on its key environmental priorities.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, stakeholder participation, emissions, effluents, and waste.

Sustainalytics is of the opinion that FedEx is able to manage and/or mitigate potential risks through implementation of the following:

- FedEx's Environmental Policy¹⁴ addresses environmental risks through efficient use of natural resources, waste minimization, recycling and pollution prevention. It also addresses effective environmental management required by suppliers and contractors. Additionally, the Environmental Compliance policy¹⁵ outlines various FedEx groups responsible for environmental management within the Company. FedEx Express Global Environmental Management department is responsible for environmental risk management and has direct oversight of requirements regarding emissions, wastewater discharge, handling of waste, and hazardous materials and remediation. FedEx Ground Environmental Services department is responsible for all programs to ensure adequate management in waste, water, and environmental site assessments.
- The Company's Code of Conduct¹⁶ addresses the environment and sustainability, through environmental footprint minimization and health and safety risks through workplace security for employees and contractor compliance with FedEx policies.
- FedEx operates 606 facilities, primarily FedEx Express facilities, certified with the ISO 14001 environmental management system standard.¹¹ FedEx Express International sourcing aligns with

¹² FedEx Newsroom, "FedEx Commits to Carbon-Neutral Operations by 2040", (2021), at: [FedEx Commits to Carbon-Neutral Operations by 2040](#)

¹³ FedEx draft ESG Report 2021 provided to Sustainalytics by the Issuer.

¹⁴ FedEx document, "Environmental Policy", at: [FedEx Environmental policy.pdf](#)

¹⁵ Provided by FedEx to Sustainalytics.

¹⁶ FedEx document, "Code of Conduct", at: [CodeofConduct.pdf \(fedex.com\)](#)

ISO 20400 guidance for sustainable procurement, to include supplier risk screening. In addition, the Company has communicated that as of the end of 2019, 194 FedEx sites were certified with ISO 50001.¹¹

- The Company manages supply chain risks through FedEx Services' "Supplier Relationship Management" team, guided by a consolidated set of policies and governance practices, and collaboration with internal stakeholders to ensure sustainable practices within the supply chain.¹¹ Sustainability-related contract language is included in key supplier contracts as of FY2019, including addressing environmental, social, labor, and human rights areas.
- FedEx addresses stakeholder engagement throughout various points of the supply chain and within its materiality processes, which is undertaken including external representatives from academia, customers, industry associations, media, NGOs, and suppliers. Internal and external stakeholders are surveyed and included within regular materiality assessments to address key issues such as safety culture, engagement, and fostering fuel-saving culture.¹¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that FedEx has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All seven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on the below where the impact is specifically relevant in the local context.

Importance of clean transportation in the United States

The transportation sector is the largest contributor of GHG emissions within the United States, accounting for around 28% of the country's total emissions in 2018.¹⁷ Of these overall emissions, 59% were attributed to light-duty vehicles and 9% to aircraft. In terms of the overall trend, total emissions from transportation have increased due to increased demand for travel.¹⁷ Despite this trend, average fuel economy of new vehicles has improved every year since 2005, slowing the rate in increase of CO₂ emissions slightly, but not by any substantial amount. However, global sales of electric cars are growing as technological progress towards electrification is expanding. In 2020, 2% of global car sales are electric,¹⁸ providing new opportunities for the reduction of fuel carbon intensity in the transportation sector.

The GHG emissions from aviation have risen rapidly over the past two decades, despite significant technological developments in the sector.¹⁹ Fossil fuel-based jet kerosene is currently difficult to replace in conventional aircraft, while clean alternatives such as electric or hydrogen-fueled aircraft are still under development. Commercial aircraft commonly weighs between 30–600 tons and requires aircraft to accelerate to speeds of between 700-1000 km/h.¹⁹ This presents a challenge for commercial aircraft in which energy-dense liquid fuel is the only currently feasible solution. While efforts to develop Sustainable Aviation, Fuels are ongoing and produced in combination with fossil-based jet kerosene, such fuels require advancement in a low-carbon manner and on a lifecycle basis. Thus, more investment into R&D is required within the industry to find a low-emission alternative. In this context, Sustainalytics considers that investments in clean transportation and electric vehicles through this Framework are expected to contribute to the reduction of fuel carbon intensity within the transportation sector.

Importance of supporting small businesses owned by minorities in the United States

The 1.1 million minority owned small businesses in the United States employ 8.7 million and generate more than USD\$1 trillion in economic output.²⁰ Women make up 300,000 of the business owners and employ 2.4 million workers.²⁰ Minority owned small and medium enterprises are subject to structural challenges of underrepresented groups, including a disparity in access to capital, contracting opportunities, and technical assistance needed to succeed. The ongoing COVID-19 pandemic has shed light on the disproportionate impact health crises can have on minority groups. The concentration of minority-owned small businesses in industries more susceptible to disruption makes them vulnerable to the pandemic. Prior to the pandemic, The Federal Reserve Bank assessed the financial health of companies, and reported that minority-owned small

¹⁷ United States Environmental Protection Agency website, "Sources of Greenhouse Gas Emissions", [Sources of Greenhouse Gas Emissions | Greenhouse Gas \(GHG\) Emissions | US EPA](#)

¹⁸ International Energy Agency website, "Electric Vehicles", (2020), at: [Electric vehicles - Fuels & Technologies - IEA](#)

¹⁹ International Energy Agency website, "Aviation", (2020), at: [Aviation – Analysis - IEA](#)

²⁰ McKinsey & Company Insights, "COVID-19 effect on minority-owned small businesses in the United States", (2020), at: [COVID-19's effect on minority-owned small businesses | McKinsey](#)

businesses were twice as likely to be classified as “at risk” or “distressed” than non-minority small businesses, and three times as likely to close down because of a two-month revenue shock.²⁰ Both minority-owned small businesses and minority held jobs have been disproportionately affected by the COVID-19 crisis, representing 58% of the newly unemployed, as of March 2020.²⁰

In 2021, the Biden-Harris Administration has taken steps to increase relief to small business owners, including minority-owned businesses through changes within the Paycheck Protection Program to prioritize loans for underserved small businesses.²¹ While this targeted stimulus relief is intended to contribute towards minority-owned small businesses during the pandemic, the ongoing structural issue persists and longer-term solutions are required to provide increased access to credit, financial advice, and deeper peer networks for minority entrepreneurs.²² In this context, Sustainalytics views positively the expansion of its supplier diversity program and expects the investments to provide a positive social impact.

Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the FedEx Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Eco-Efficient Products	12. Responsible Consumption and Production	12. By 2030, achieve the sustainable management and efficient use of natural resources.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Socio-Economic Advancement	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

²¹ U.S. Senate Committee on Small Business & Entrepreneurship, “Cardin Lauds Biden-Harris Administration Actions to Increase Relief to Underserved and Underbanked Small Businesses”, (2021), at: [Cardin Lauds Biden-Harris Administration Actions to Increase Relief to Underserved and Underbanked Small Businesses - Press Releases - U.S. Committee on Small Business & Entrepreneurship \(senate.gov\)](#)

²² U.S. Senate Committee on Small Business & Entrepreneurship, “Minority Entrepreneurs”, (2020), at: [Minority Entrepreneurs - U.S. Committee on Small Business & Entrepreneurship \(senate.gov\)](#)

Conclusion


FedEx has developed the FedEx Sustainability Bond Framework under which it will issue green, social, and sustainability bonds and use the proceeds to finance a wide range of sustainability projects and activities, such as clean transportation, more efficient packaging and socio-economic advancement and empowerment. Sustainalytics considers that the projects and companies funded by the bond proceeds are expected to promote sustainable development around the world.

The FedEx Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that FedEx Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 10, 11, and 12. Additionally, Sustainalytics is of the opinion that FedEx has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that FedEx is well-positioned to issue green, social, and sustainability bonds and that the FedEx Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines.

Appendices

Appendix 1: Summary of Referenced Green Building Certification Scheme

	LEED ²³
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance, and operation of buildings.
Certification Levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of Assessment	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification.</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
Performance Display	
Accreditation	<p>LEED AP BD+C</p> <p>LEED AP O+M</p>
Qualitative Considerations	Widely recognized internationally, and strong assurance of overall quality.

²³ USGBC, "LEED rating system", at: www.usgbc.org/LEED.

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	FedEx Corporation
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	FedEx Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 15, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds – Clean Transportation, Green Buildings, Energy Efficiency, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Pollution Prevention and Control, Renewable Energy, and Socioeconomic Advancement & Empowerment – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 9, 10, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

FedEx Corporation's Sustainability Finance Committee will be responsible for the review and selection of Eligible Projects, based on its assessment of their social and environmental impacts. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

FedEx Corporation's Sustainability Finance Committee will establish the Eligible Project Portfolio to include Eligible Projects and ensure proceeds are allocated accordingly. FedEx Corporation may temporarily use the balance of unallocated proceeds for the settlement of outstanding debts or invest them in other capital management activities. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

FedEx Corporation intends to provide allocation reporting on its website on an annual basis until full allocation. The allocation reporting is expected to include the total amount allocated to Eligible Projects, and the balance of unallocated proceeds. In addition, FedEx Corporation may report on relevant quantitative impact and has provided examples of potential indicative metrics within the Framework. Sustainalytics views FedEx Corporation's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
|--|--|

- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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