



# Everything is connected

A Global Citizenship Update for 2009



Any society’s ability to raise its standard of living requires lowering the barriers that separate it from the world.

This report is about how FedEx responsibly applies its resources to help the world do that.

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This is an update to our 2008 Global Citizenship Report. Its contents are meant not to be exhaustive, but to provide context and clarity about how our citizenship efforts have changed and evolved over the past year.

At FedEx, we're very proud of our ability to move goods and information around the world quickly and reliably. But we've learned over the years that what we do has a bigger outcome — our work actually creates new opportunity by removing the barriers between people, goods and ideas.

This is a force we call Access, and we know through research that Access helps bring greater prosperity to people, businesses and nations all over the world.

As we expand Access to build a better future, we take on a great responsibility — both as a steward of the earth's resources and as a citizen of the world. People trust us to come through for them, whether it's delivering their shipments, providing online tools, or supporting our communities. To meet the expectations of an increasingly connected world, we must try to be transparent about the actions we take as well.

This Global Citizenship Report is about those actions. It offers information about our progress — and our plans — in the four focus areas of our corporate citizenship.

The first is People and Workplace. This is an area of highest priority because it's our team members who work every day to meet the expectations of our customers and communities. In this report, you'll learn how their hard work makes our business more sustainable, improves our environmental performance and helps us become better citizens of every community where we work.

The second is Economics and Access. We work to expand Access, because more Access means stronger connections among the people and ideas that will make the world more sustainable and improve quality of life. In this report, you'll learn about research we've undertaken in collaboration with the Yale Center for Environmental Law & Policy, trying to find more common ground between free trade advocates and environmentalists.

The third is Environment and Efficiency, where every day we tap into our innovative roots to make our business and the world more sustainable and efficient. That spirit of innovation has produced the transportation industry's largest fleet of hybrid electric package delivery trucks, which you'll learn more about in this report.

The fourth is Community and Disaster Relief. All over the world, we apply our resources — planes, delivery trucks, facilities and team members — to help communities recover from disasters as well as shape their own sustainable futures. You'll learn from this report about our investments in organizations that support environmental sustainability at the community level. One example is EMBARQ, which helps cities around the world build transportation networks that are safe, clean, convenient and affordable.

In our last Global Citizenship Report, I wrote that our company understands the critical importance of continuously earning the trust of team members, customers, shareowners and the communities we serve.

Companies earn trust by holding themselves to practical, measurable standards by which all stakeholders can judge their actions. Our standards of stewardship are embodied in a program we call EarthSmart®. It is designed to help us ensure that when we invest in physical assets, begin programs in our workplace, or form collaborations with philanthropic organizations, these actions will have clear, tangible benefits for our business, team members, customers, the environment, and the communities in which we operate.

We hope these pages will give you a clear picture of the progress we've made so far and the standards we will hold ourselves to in the future — all in pursuit of responsibly and resourcefully lowering the barriers to Access.

Sincerely,



Frederick W. Smith  
Chairman and CEO  
FedEx Corporation



We could have simply made promises. Instead, we are committing our business to high, measurable standards with EarthSmart<sup>SM</sup>





At FedEx, we have a simple goal: to connect the world in responsible and resourceful ways. We've organized our efforts to achieve that goal into a program we call EarthSmart<sup>SM</sup>.

EarthSmart is our commitment to minimize our impact on the environment. It's designed to encourage innovation that makes our business — the way we work and the services we offer — more sustainable, both economically and environmentally. Our aim is to find or create new ways not only to improve our own company's environmental performance, but also to point the way for other companies, in our own industry and beyond.

What does EarthSmart innovation look like? Consider our delivery trucks. In 2004, we put the very first hybrid electric delivery trucks on the road. And just this past year, we advanced our fleet again by introducing the first zero-emissions, all-electric FedEx delivery vehicles in the United Kingdom (shown above). We've also found ways to retrofit conventional delivery trucks with hybrid electric motors. In total, our hybrid electric fleet is the industry's largest, and those trucks represent the first FedEx assets to achieve the EarthSmart Solutions designation.

Specifically, EarthSmart covers three areas — business, culture and community:

## EarthSmart Solutions

This category covers services and our physical assets and includes our planes, trucks and facilities. When the EarthSmart Solutions designation is applied to any of our services or

assets, it means it has met strict, quantifiable standards for innovation and environmental sustainability.

Developed in collaboration with Esty Environmental Partners, the EarthSmart Solutions designation maintains strict standards of eligibility. These standards demand that any EarthSmart Solution go beyond normal industry practices to demonstrate clear and tangible benefits — not only to our business, but also to the environment, our customers, team members and communities in which we operate. A solution that doesn't sufficiently touch these points will not receive an EarthSmart Solutions designation.

## EarthSmart @ Work

This program provides a way for all FedEx team members to contribute to the company's environmental sustainability efforts, whatever their role in the company may be. The ultimate goal of EarthSmart @ Work is to engage our team members on sustainability matters and help them make significant contributions to the environmental sustainability of our business.

## EarthSmart Outreach

This program covers our philanthropic and volunteer efforts that focus on environmental sustainability and are strategically aligned with our business goals. We are focusing our investments to create sustainable transportation solutions in the developing world, to preserve valuable ecosystems and to identify new ways to balance access to trade and investment with responsible environmental stewardship.

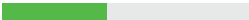

# Our Global Citizenship Focus

FedEx is committed to sustainably connecting the world and enhancing the long-term value of the company for our shareowners, for the communities and businesses that rely on our services and for our team members. Our focus has enabled us to make progress on many of the goals we outlined in 2008. For more details, visit [csr.fedex.com](http://csr.fedex.com).

## Economics & Access

| Revenue<br>(In Millions) | Operating<br>Margin         | Diluted Earnings<br>Per Share |  |
|--------------------------|-----------------------------|-------------------------------|--|
| FY09<br>\$35,497         | FY09 <sup>(1)</sup><br>2.1% | FY09 <sup>(1)</sup><br>\$0.31 | (1) Results for 2009 include a charge of \$1.2 billion (\$1.1 billion, net of tax, or \$3.45 per diluted share), primarily related to impairment charges associated with goodwill and aircraft.                              |
| FY08<br>\$37,953         | FY08 <sup>(2)</sup><br>5.5% | FY08 <sup>(2)</sup><br>\$3.60 | (2) Results for 2008 include a charge of \$891 million (\$696 million, net of tax, or \$2.23 per diluted share), predominately related to impairment charges associated with intangible assets from the Kinko's acquisition. |

## Environment & Efficiency

|  |  |   |  |
|--|--|---|--|
| <p>Aircraft Emissions<br/>% Decline<sup>(1)(2)</sup></p> <p>CY08<br/>8.33%</p> <p>Goal<br/>20%<br/>by 2020</p>  | <p>FedEx Express<br/>Vehicle Fuel<br/>Efficiency<br/>Improvement<sup>(2)</sup></p> <p>FY09<br/>14.1%</p> <p>Goal<br/>20%<br/>by 2020</p>  | <p>Renewable<br/>Energy</p> <p>We plan to expand our on-site renewable energy generation in addition to procurement of renewable energy credits (RECs) purchased.</p> <p>Exceeded FY08 Goal of<br/>25,000MWh<br/>of RECs procured</p> <p>Also, we have added solar electric systems, with a current capacity of<br/>3.92 MW</p> | <p>(1) To better align our data reporting for this metric with other publicly available data, we moved our reporting period for this metric to a calendar year basis versus a fiscal year. Additionally, upon validation of the CY data, we discovered that we had previously underreported our improvement due to an erroneous data field.</p> <p>(2) Improvement is cumulative since our baseline in 2005.</p> |
| <p>Utilities Emissions</p> <p>We have met our objective of tracking our facilities' emissions. See Page 13 for data on Scope I, II and III CO<sub>2</sub> Emissions.</p>                           |  |   |  |

## Community &amp; Disaster Relief

Charitable Giving  
(Cash and In-kind  
Giving as Percent  
Of Pre-tax Profits)FY09<sup>(1)</sup>

1.5%

FY08<sup>(2)</sup>

1.1%

## Volunteer Hours

Tracking Goal

100%

We have implemented a system to track volunteer hours, which is housed on [fedexcares.com](http://fedexcares.com).

(1) Excludes the effect of the previously described impairment charge of \$1.2 billion.

(2) Excludes the effect of the previously described impairment charge of \$891 million.

## People &amp; Workplace

Full-time U.S.  
Retention Rate

We strive to maintain or improve our full-time retention rate.

FY09

91.5%

FY08

93.1%

Women in  
Management  
Roles Globally<sup>(1)</sup>

FY09

21.7%

U.S. Ethnic Minorities  
In Management Roles<sup>(1)</sup>

FY09

27.0%

Employee  
Engagement<sup>(2)</sup>

Our goal is to continue achieving high participation rates for employee feedback surveys.

FY09

93.1%

FY08

93.4%

(1) We remain focused on increasing the percentage of women and minorities in management.

(2) Percent of eligible global employees who participate in annual feedback surveys.

# FedEx and the Yale Center for Environmental Law & Policy want to find common ground for free trade advocates and environmentalists.

A Decade of Inquiry Into Access and Sustainability

2002

The Yale Center for Environmental Law & Policy (YCELP) releases its Environmental Sustainability Index, assessing the state of nations' environmental resources. The study sparks government action around the world.

2005

FedEx teams up with SRI International to create the Access Index, the first comprehensive study to define and quantify the impact of Access on people, businesses and nations.





What are the links between environmental sustainability and economic sustainability? What makes nations — and the businesses that help fuel their growth — succeed or fail in their efforts to achieve both?

These are some of the questions that FedEx is helping the Yale Center for Environmental Law & Policy to explore — and, ultimately, to answer — with a study due to be released in the second half of 2010.

Since 2002, the Yale Center has studied the environmental performance and policies of nations all over the world. Now, with the support of FedEx, additional research will dig deeper, searching for common ground between a nation's environmental performance and the actions it takes to increase its access to other countries and economies.

With greater understanding of the relationships between economic and environmental sustainability, greater collaboration can emerge between free trade advocates and environmentalists. Such collaboration might help to

ensure that trade and investment are not only engines of growth, but also of sustainable growth and stewardship. Leaders of nations and industries may also benefit from the study as it will better equip them to navigate the complexity of the 21st century global economy. This study is one of the key investments in our EarthSmart Outreach program (see Page 4).

Ultimately, our work with the Yale Center for Environmental Law & Policy matters for three reasons. It will provide needed quantitative insight into the relationship between trade and the environment. It will identify and analyze significant policy issues. And it will give decision makers around the world fresh analytical insight to promote economic and environmental sustainability.

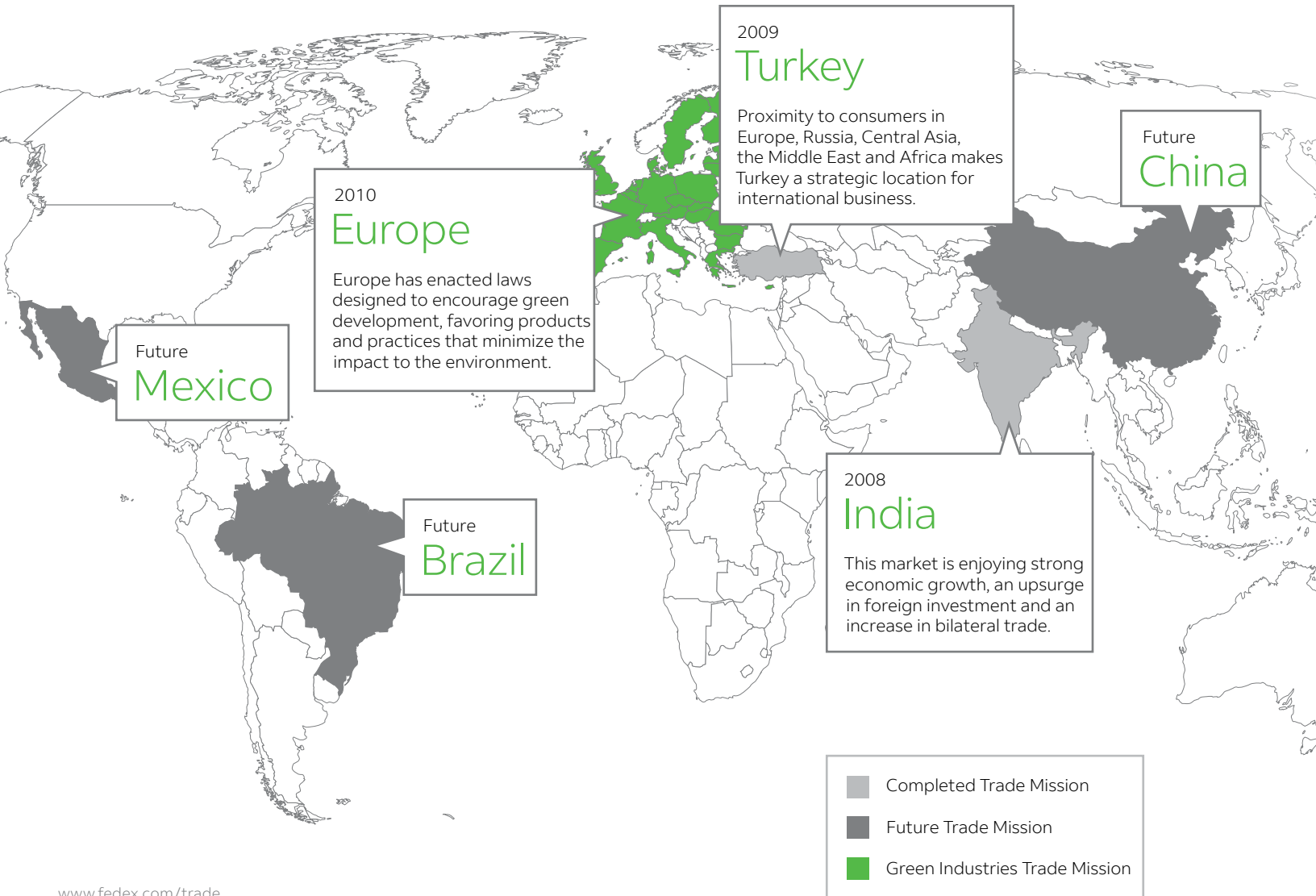
**2008** SRI provides an update of the Access Index, expanding the report from 75 to 109 nations. YCELP releases an updated Environmental Performance Index (EPI), ranking 149 countries on 25 indicators of environmental performance.

**2010** With the help of FedEx, YCELP will release a third update of the EPI and move into a broader exploration of the relationships between trade and environmental performance, identifying common ground for environmentalists and free trade advocates.

**2006** YCELP's Pilot Environmental Performance Index assesses the effectiveness of 133 nations' environmental policies. Released at the World Economic Forum, the study gives governments around the world solid data on which to base environmental policy decisions.

# FedEx-sponsored trade missions

have helped a variety of businesses expand their reach into Turkey and India. In April 2010, a mission to Europe will do the same for green technology companies, while plans are in place for similar missions to Mexico, Brazil and China.





## Trade Missions

Our commitment to expanding Access helps create deeper global connections among people and businesses. FedEx creates and facilitates these connections in many ways. We work to simplify customs regulations, duties and taxes for businesses of all sizes. We build new routes, services and access points for communities. And we work to knock down barriers to trade and investment.

For example, our new hub in Guangzhou, China, puts us in the heart of Asia's fastest-growing production and trade center, giving customers the ability to develop new products and get them to more people faster than ever. Our new domestic express service in Mexico is helping the country grow as a manufacturing center, while our newly expanded warehouse facility at the Guadalajara International Airport is making it possible for businesses throughout Mexico to connect with the world.

Expanding Access gives people more options, new possibilities and greater opportunity to improve their lives. From 1981 to 2005, a period of unprecedented increase in Access, the number of people living in poverty in the developing world declined from one of every two people to one in four, according to the World Bank. When FedEx helps to expand Access, what we're really doing is helping people, businesses and nations create the networks that open new markets, generate new investments, promote greater connectivity, create jobs and improve the global economy.

To facilitate these networks, we advocate for the free flow of trade and investment and its ability to help people prosper. With the help of the U.S. Department of Commerce's Commercial Service, we've developed a trade mission program that helps businesses connect with industry leaders and government officials in emerging markets so they can grow their businesses and expand their workforces.

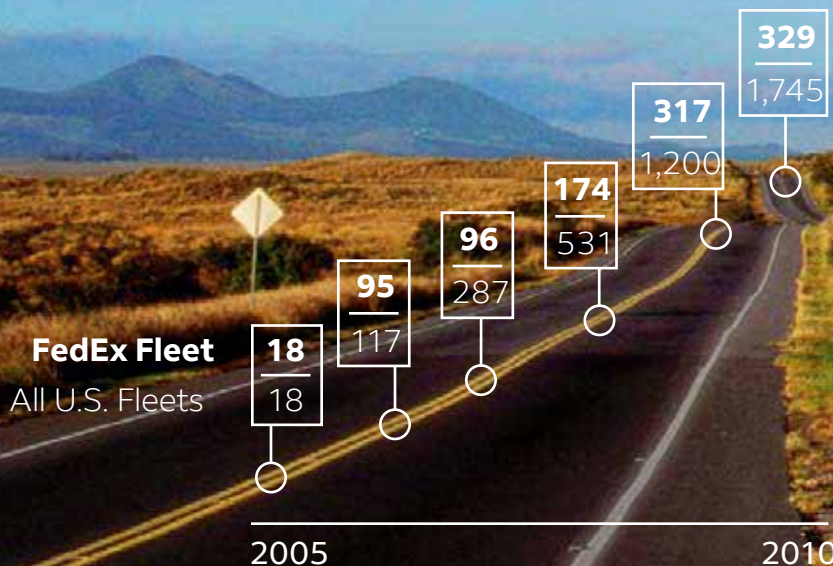
Trade mission delegates and their counterparts in emerging markets share best practices, develop market-entry strategies and learn how best to navigate the regulatory and competitive landscapes to tap into the growth opportunities abroad. We also make arrangements for delegates to meet directly with buyers and distributors in a matchmaking process that helps participants secure new business relationships. In 2008 and 2009, FedEx and the U.S. Commercial Service conducted missions to India and Turkey, and we're planning missions to Mexico, Brazil and China.

But the program's design is not limited to marketplaces defined by geography. We focus on specific industries, too. In April 2010, FedEx and the U.S. Commercial Service will bring a delegation of U.S. businesses to Europe for a Green Industries Trade Mission, aimed at helping businesses tap into the thriving global marketplace of sustainable products, services and innovations. Delegates will include representatives of the green building industry, renewable energy companies, architectural and engineering services, as well as environmental and alternative energy groups, among others. Delegates will have the opportunity not only to gain greater insight into the green markets of specific European countries, but also to gain a macro view of the opportunities throughout the European Union.

Our trade mission program and alliance with the U.S. Commercial Service let FedEx work with customers to ensure they have access to opportunities to grow their businesses abroad.



# What makes our business more sustainable and efficient? The same spirit of innovation that built it in the first place.



## Hybrids in Commercial Fleets

FedEx worked with the Environmental Defense Fund in 2000 to engineer the first hybrid trucks — and to share what we learned with other companies. By 2005, we had 18 hybrid trucks on the road. A year later, the technology we helped to develop had spread through the entire transportation industry. By the end of 2010, there will be 1,745 hybrid delivery trucks on the road in the U.S., used by a wide variety of companies.



Sustainability is changing the way many corporations do business. Most companies, though, focus primarily on improving environmental performance and reporting their progress and achievements. Greater efficiency is a good thing; so is a willingness to share how you achieved it. But for FedEx, this approach misses two key ingredients: leadership and innovation.

We've applied our long-standing spirit of innovation to a decade-long effort to reduce energy usage, increase energy efficiency and put to use technologies that will change the future of our industry.

This year, FedEx became the first U.S.-based company in our industry to add the Boeing 777F to its aircraft fleet. The 777F dramatically enhances our ability to move more freight to more distant markets while simultaneously reducing emissions by 18 percent. Flying direct between Asia and the U.S. also eliminates the extra fuel needed for additional landings and takeoffs. We're also upgrading our fleet by replacing narrow-body Boeing 727 aircraft with Boeing 757 planes — which will cut greenhouse gas emissions and reduce fuel consumption by 47 percent. We plan to have at least 15 777Fs by 2014, and have ordered another 15 for delivery by 2019. Embracing Boeing's advancements in aircraft technology allows us to take major steps in meeting both our environmental and economic goals.

Our hybrid electric vehicle fleet offers other examples. Starting in 2000, we began exploring ways to put hybrid electric commercial vehicles on the road. Today, we have our industry's largest fleet of hybrid electric package delivery trucks. We built the fleet not only by investing in new hybrids, but also by taking the practical, yet groundbreaking step of turning conventional delivery trucks into hybrids. When a conventional truck's motor reaches the end of its useful life, we've found a way to retrofit the same truck

with a hybrid electric motor, extending the truck's life and decreasing the amount of finite resources it will use in the future. Currently, we're assisting in the development of zero-emission electric/hydrogen fuel cell and hydraulic hybrids. And just this past year, we worked with Modect, a commercial vehicle manufacturer, to develop a new all-electric commercial delivery truck for use in the United Kingdom. Our fleets of hybrid and all-electric Modect trucks are the first assets to earn our EarthSmart Solutions designation.

But as we developed and adopted these innovations, our vision was broader than our own company's environmental performance. We invested in these technologies with the specific intention that they would spread to other businesses and industries and help set new standards. Today, that's happening: There is a growing market for commercial hybrid vehicles. We fully expect the same to happen with the 777F — that our competitors will follow our lead and begin using smarter, more efficient plane designs. When that happens, we all win.

Our commitment to use more efficient energy technology extends beyond our fleet. We are equally determined to reduce the amount of energy it takes to operate our facilities. Building on the success of our three existing solar electric systems in California, we recently expanded our solar power initiative to our facility in Woodbridge, New Jersey — the largest rooftop solar installation in the U.S. — and plan to do the same at our Cologne, Germany, facility. When all five facilities are operating, they will have the capacity to generate approximately 5 megawatts — an improvement of more than 200 percent over the past year.



## Solar Energy

Our EarthSmart™ program will encourage us to meet — and, we hope, exceed — the goals we’ve set for reducing emissions and improving our energy efficiency. In fact, we hope the program will ultimately help us reach what we call a “practical environmentalism.” In other words, our efforts will simultaneously transform our business and continue to reduce our impact on the environment.

Conserving energy is crucial to cutting emissions and operating costs. For our facilities this means using new technologies and more sustainable energy sources, including solar power. In August 2005, we started tapping into that source when FedEx Express activated California’s then-largest corporate solar power rooftop installation at our regional hub in Oakland. More than 5,700 solar electric panels cover the 81,000 square feet of roof space, producing 904 kilowatts of power. In the spring of 2008, FedEx Freight completed the installations of solar electric systems in its Whittier and Fontana, California, facilities, creating 282- and 269-kilowatt solar power systems, respectively.

The success of these efforts encouraged us to expand our solar initiatives to our FedEx Ground distribution hub in Woodbridge, New Jersey, and our FedEx Express Central and Eastern European hub in Cologne, Germany. The Woodbridge facility, which came online late in 2009, marked the nation’s largest rooftop solar panel installation, with 12,400 panels that generate approximately 2.4 megawatts of power, or 30 percent of the facility’s energy needs. And in Cologne, a new state-of-the-art solar energy system,

expected to come online during the second half of 2010, will produce approximately one megawatt of power. In total, when all these projects come online, we will create and use approximately 5 megawatts of renewable energy (see graphic on Page 14).

## Efficiencies and Emissions

We call it “20 by 20” — our specific goal to reduce our aircraft emissions intensity and increase our FedEx Express vehicle efficiency 20 percent by the year 2020, as measured against a 2005 baseline. Today, we’re happy to report that our aviation emissions intensity has dropped by over 8 percent. And our FedEx Express vehicle efficiency has increased by 14.1 percent.

This progress is the fruit of various programs, strategies and innovations we’ve developed. Two examples are the Fuel Sense program in our aviation operations and the Reduce, Replace, Revolutionize strategy we’ve applied to our vehicle fleet.

The Fuel Sense program unites 30 different teams within FedEx to find new ways to use less fuel throughout our aviation operations. Fuel Sense also helps guide our plans to replace older aircraft with more fuel-efficient planes that have larger payload capacity. For example, our new Boeing 777F planes burn less fuel than others in their class, and have increased range and payload capacity. Replacing our 727s with 757s is improving our efficiency and cutting greenhouse gas emissions.

*(continued on Page 16)*

### Enterprise Scope I CO<sub>2</sub> Emissions<sup>(1)</sup>

FY09  
**14,101,552**  
metric tons

### Enterprise Scope II CO<sub>2</sub> Emissions<sup>(1)</sup>

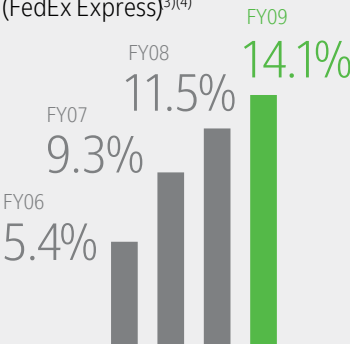
FY09  
**1,065,689**  
metric tons

### Scope III CO<sub>2</sub> Emissions<sup>(1)(2)</sup>

FY09  
**1,132,571**  
metric tons

(1) CO<sub>2</sub> emission factors and associated conversion factors were calculated using the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol.

### Vehicles’ Fuel Efficiency Improvement (FedEx Express)<sup>(3)(4)</sup>



### Electric and Hybrid Electric Vehicle Count

CY09  
**327**

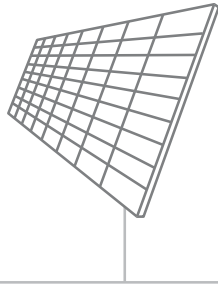
CY08  
**174**

This represents an **88%** growth in our electric and hybrid electric vehicle fleet since 2008.



(2) Based on fuel sold to FedEx Ground independent contractors and FedEx Express feeder aircraft operators.

(3) From baseline year of 2005.

(4) In FY09 our quality auditing procedure revealed a statistical error in our baseline reporting (FY05). Upon correcting the error we found that our vehicle efficiency was slightly better for FY05 than initially reported.

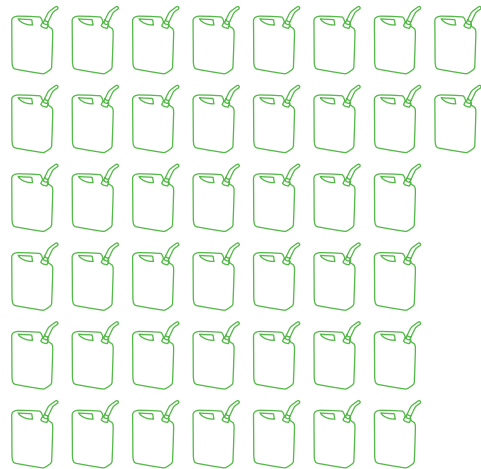


Our five solar facilities will reduce our annual CO<sub>2</sub> emissions by a projected 3,918 metric tons. That's equivalent to:

 = 10,000 gallons of gasoline  
 = 1,000 seedlings

440,754

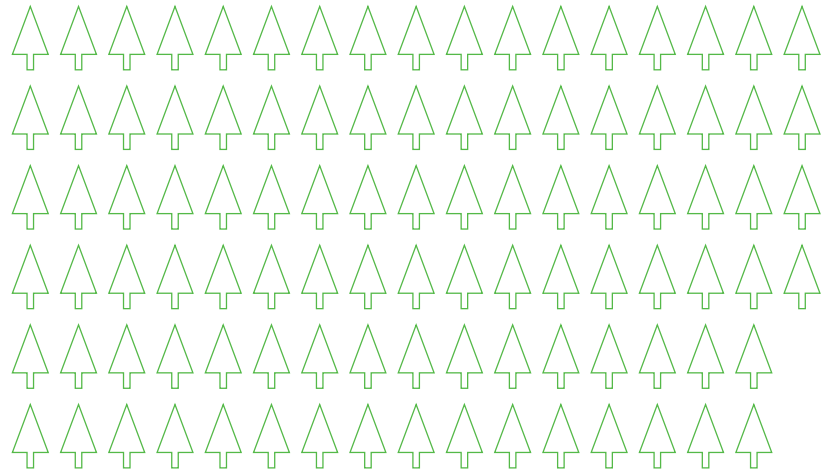
gallons of gasoline never burned†



or

100,469

tree seedlings growing for 10 years†



† Source: <http://www.epa.gov/RDEE/energy-resources/calculator.html>

## Renewable Energy Credits

FY09

34,216MWh

Facilities with  
ISO 14001  
Certification

50 of our facilities have  
an ISO 14001 certification.

## On-site Solar Energy Generation (MW)<sup>(1)</sup>

CY08

1.5

CY09

3.92



## EPA SmartWay Transport Partnership Environmental Performance Scores, FY09<sup>(2)</sup>

FedEx  
Express

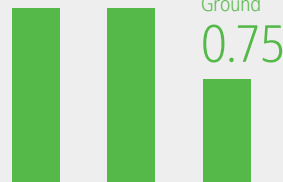
1.25

FedEx  
Freight

1.25

FedEx  
Ground

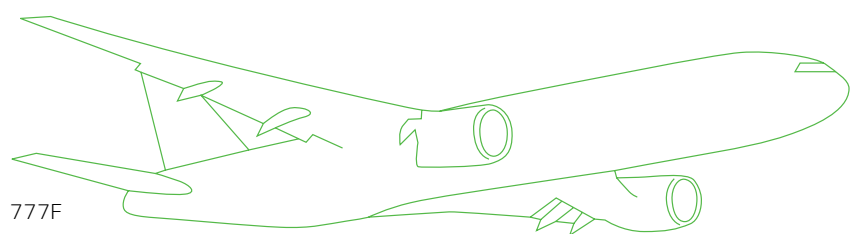
0.75



(1) Both graphs represent our progress toward our CY10 estimate of 5 MW, which will include our FedEx Express facility in Cologne, Germany, scheduled to come online during the second half of 2010.

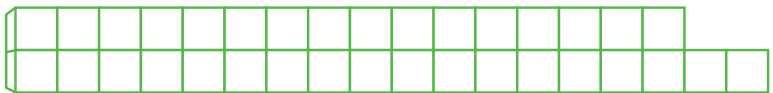
(2) A score of 1.25 represents outstanding environmental performance. The most common partner score is 0.75, which represents good environmental performance. These EPA SmartWay partners already are utilizing most of

the commercially available fuel-saving strategies, and are actively evaluating the latest emergent technologies.

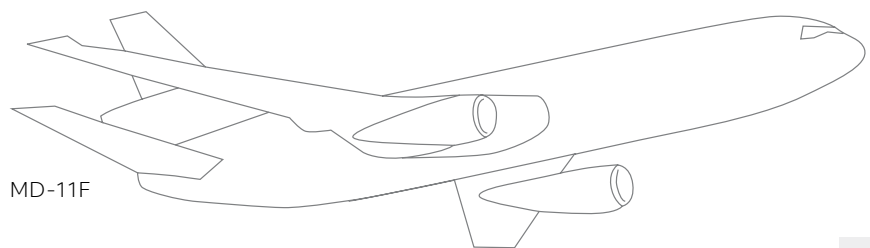


777F

171,000 pound cargo capacity

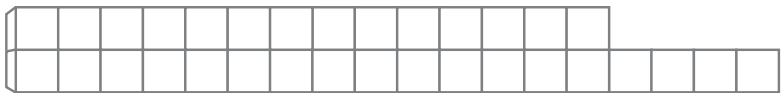


6,100 nautical mile range

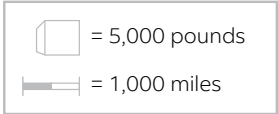


MD-11F

162,500 pound cargo capacity



3,900 nautical mile range



As we replace much of our MD-11F fleet with wide-body 777F planes, we will not only be able to carry more cargo, but we'll also be able to move cargo farther before refueling, reducing fuel consumption by 18 percent and improving our overall efficiency.

We're also replacing our 727s with 757s, which will cut greenhouse gas emissions and reduce fuel consumption by 47 percent.

Aircraft Emissions  
lbs/ATM<sup>(1)</sup> CO<sub>2</sub><sup>(2)(3)</sup>

CY05

1.55

CY08

1.42

(1) Available ton mile (ATM) is defined as one ton of capacity (cargo) transported one mile.

(2) CO<sub>2</sub> emission factors and associated conversion factors were calculated using the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol.

(3) To better align our data reporting for this metric with other publicly available data, we moved our reporting period for this metric to a calendar year basis versus a fiscal year. Upon validation of the CY data, we discovered that we had previously underreported our improvement due to an erroneous data field.



*(Efficiencies and Emissions, continued from Page 13)*

Adding these planes to our fleet reduces fuel consumption and helps us advance our goals as a business.

Our Reduce, Replace, Revolutionize strategy is transforming our fleet of FedEx Express delivery vehicles, pushing us to use less fuel, to upgrade existing vehicles and to develop innovative new technologies. Today, FedEx has seven different types of hybrid delivery trucks in operation, as well as the capability to retrofit conventional trucks with hybrid engines. FedEx Freight will test a truck powered by the zero-emission hydrogen/electric hybrid Tyrand™ drive train. And FedEx Ground is testing hybrid hydraulic technology that seeks to improve fuel mileage by greater than 50 percent and significantly reduce engine emissions. In total, our hybrid fleet has logged more than 5 million miles of service.

Achieving environmental and economic sustainability requires more than just embracing new technologies. It also means making smart choices, matching the right vehicle with the right mission. For example, we constantly employ routing efficiencies to reduce the number of vehicles we need, and we've downsized vehicles that travel long distances in order to maximize fuel efficiency and lower greenhouse gases. And like most commercial delivery companies, we use diesel fuel for many of our trucks because it's more efficient than other fossil fuels. We also give our customers the chance to make smart choices, giving them the option to calculate the carbon emissions associated with transportation of their FedEx shipments — providing customers with the information they desire, in order to report their emissions or purchase carbon offsets through their own preferred organizations.

## Forest Stewardship Council Certification

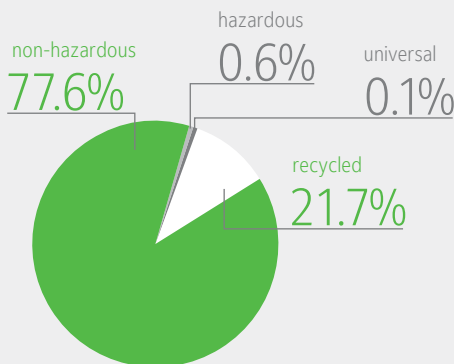
Meeting the demands of FedEx Office customers means that we purchase a lot of paper. We try to make the right choices when we do that.

The world's forests play a critical role in supporting biodiversity, maintaining water quality, moderating the planet's climate and sustaining diverse economic, social and indigenous cultural traditions. We also recognize that the long-term health of our business is directly connected to the health of the planet and local communities.

This is why FedEx, through its FedEx Office locations, has set industry-leading standards for purchasing products that come from environmentally responsible suppliers. One example of this effort is our choice to buy most of the paper we use in our printing centers from suppliers certified by the Forest Stewardship Council (FSC). The widely recognized FSC certification represents responsible forest stewardship and applies to products obtained from well-managed forests. (See "Sichuan Province Recovery" on Page 20 for another example of our contribution to reforestation efforts.)

Not only are we making better choices when we buy paper, but we're also looking at how to reduce paper usage altogether. Our programs will help our operations minimize environmental impacts as well as promote digital alternatives and recycled products and fibers that don't come from our forests.

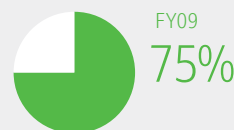
### Waste Streams



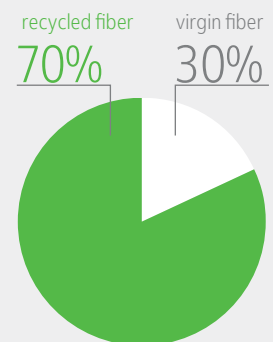
### Recycling (Millions of Pounds)



### FedEx Office Paper SKUs With Recycled Content



### Packaging Fiber



# FedEx and EMBARQ will help Mexico transform its transportation network.

An important component of our global citizenship is to channel our outreach investments toward organizations that tackle issues FedEx is uniquely capable of helping to solve. Giving is critical to all organizations, and we continue to make significant contributions to many. But we know that when we apply our core logistics capabilities, we can make a meaningful difference in people's lives.

For example, FedEx is collaborating with EMBARQ, an organization that helps cities build transportation networks that are safe, efficient and convenient, enabling more people to use public transit. This investment is a key focus of our EarthSmart Outreach program.

Starting in 2002, EMBARQ's Center for Sustainable Transport in Mexico spearheaded the creation of a bus rapid transit (BRT) corridor through the heart of Mexico City. BRT lines essentially enable buses to act like trains, picking up passengers at special stations and moving them along specific corridors. The system achieves the benefits of rail without the huge capital investments that building new rail lines requires. Today, the system carries 450,000 riders daily, and is responsible not only for taking cars off the road but also for eliminating 80,000 tons of CO<sub>2</sub> per year.

But the benefits of this work are not limited to reducing pollution. EMBARQ also focuses on improving the quality and cost-effectiveness of urban transport so that more people have affordable access to their local economies. EMBARQ's projects improve public health, traffic safety and the quality of public spaces. When cities become healthier and more accessible, they

become more competitive and attractive to businesses. EMBARQ and FedEx share a fundamental understanding: Transportation has a deep impact on people's lives. As our relationship with EMBARQ progresses, we hope to make that impact more meaningful and lasting by providing consultation, technical advice and project planning with local, state and federal governments. We also hope that our team members, many of whom live in the same communities EMBARQ is helping, will be able to help optimize traffic patterns, minimize energy consumption and reduce emissions.

Lending our expertise to organizations that have common goals is nothing new for FedEx. In fact, for over 10 years now we've been using our years of experience on the road to promote pedestrian safety around the world through our relationship with Safe Kids Worldwide.

Every day, thousands of delivery vehicles are on the road, sharing the streets with pedestrians. This is why we've worked with Safe Kids to create Safe Kids Walk This Way — a program designed to make the world safer for child pedestrians. The program was instrumental in helping bring concepts like school zones and crosswalks to China, and since 2000 has been implemented in more than 5,000 schools in Brazil, Canada, China, India, the Philippines, South Korea, the United States and Vietnam.

As FedEx expands into new areas around the world, our team members bring their unique skills and capabilities with them. Programs like Safe Kids and EMBARQ show how FedEx uses all of its assets to help communities prosper.



FedEx works to apply its skills and knowledge — particularly our deep understanding of transportation and logistics — to programs that make a positive difference for communities around the world. Two examples: EMBARQ, which helps cities build better transportation networks, and Safe Kids Walk This Way, which works to make streets safer for child pedestrians. With the help of FedEx and other organizations, both programs are growing.





#### Charitable Giving (Cash and In-kind Giving As % of Pre-tax Profits)<sup>(1)</sup>

FY09  
**1.5%**  
FY08  
**1.1%**

(1) Results exclude the effect of the previously described impairment charges.

#### Charitable Shipping

Each year, we set aside space for  
**4,000,000**  
pounds of charitable shipping.

#### Mobile Response and Disaster Management Units

Working in collaboration with The Salvation Army, the American Red Cross and the International Federation of Red Cross and Red Crescent Societies, we've helped support

**12** mobile response and disaster management units in  
**7** countries, including Mexico, Australia and the U.K.

#### American Red Cross

FedEx is a founding member of the American Red Cross Annual Disaster Giving Program, and currently provides approximately  
**\$1,200,000**  
annually in cash and in-kind transportation support.

#### Heart to Heart International

CY09  
Assisted **172**  
organizations with the shipping of **107**  
tons of relief goods.

CY08  
Assisted **242**  
organizations with the shipping of **173**  
tons of relief goods.



## Sichuan Province Recovery

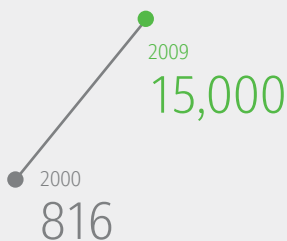
Serving more than 220 countries and territories has helped us to understand that the same fast and flexible networks we use to connect people with economic opportunity also make us uniquely capable to help communities prepare for, withstand and recover from disasters. But our responsibility as a global corporate citizen doesn't begin and end with disaster preparedness and relief. We have opportunities to help communities prosper. After all, our team members and customers work and live there.

For example, our work in Japan and Canada has helped communities revive agriculture and replace forests destroyed by natural disasters. Another recent example is the work we've begun with Conservation International in China.

In May 2008, a massive earthquake devastated China's Sichuan Province. Through our distribution and team member networks in the country, FedEx was able to help provide immediate support and much needed relief to the people of the region. However, our experience with similar disaster relief efforts taught us that the province needed much more than post-disaster relief. They needed help restoring the region — a project that requires long-term commitment and expertise.

Our work with Conservation International — an organization that safeguards valuable species, preserves important landscapes and supports communities that rely on the earth's natural resources — is an example of our overall disaster preparedness, relief and recovery strategy (illustrated on Page 19).

### Safe Kids Walk This Way — FedEx Volunteers



Cumulative number of volunteers since 2000.

### Volunteer Hours

Tracking Goal

100%

We have implemented a system to track volunteer hours, which is housed on fedexcares.com.

Today, we're investing in 10 community-led reforestation projects in Sichuan Province. These projects will help the local communities rebuild an ecosystem badly damaged by the earthquake, protect important sources of fresh water, decrease atmospheric carbon and increase the survival rate of the endangered giant panda.

FedEx also plans to work with Conservation International to educate team members and students about the value of conservation and reforestation in the region. This work is part of a greater \$2 million commitment to fund projects around the globe that expand our company's efforts to make the communities where our team members live and work more sustainable.

## Volunteerism

FedEx team members belong to the communities they serve. They have a valuable perspective on the needs of those communities, and they have unique skills and capabilities. When their perspectives and skills intersect, our team members can help communities solve big problems. This is why FedEx is developing an enterprise-wide strategy that takes a comprehensive approach to creating the policies, programs and infrastructure necessary to do this.

The first step in enacting this volunteer strategy, though, begins by taking a closer look at our team members' current efforts, which we're doing with a new volunteer management system. Powered by VolunteerMatch, our new platform helps us engage team members in volunteer opportunities around the world. The system tracks volunteering rates, hours and locations, and it lets team members share experiences through social media platforms. Our event coordinators can manage volunteer opportunities. Team members can create and promote volunteer events and manage event sign-ups and wait lists.

Launched in September 2009, the volunteer management system coincided with the United Way giving campaign and FedEx Cares Week, an annual event in which FedEx volunteers around the world donate their time and talents to serving local organizations. In 2009, FedEx team members in 38 countries volunteered more than 20,000 hours of their time during FedEx Cares Week alone.

Our team members have always made a difference in our communities. The support we provide them reflects our people-first spirit. As our strategy progresses and a more detailed picture of our team members' volunteerism emerges, we will be able to do more than support those efforts. We will be able to expand and enhance the important work they do.



FY09

Employee  
Engagement<sup>(1)</sup>

93.1%

FY08

Employee  
Engagement<sup>(1)</sup>

93.4%

For many companies, 2009 was a tough year. FedEx was no exception. But we've learned we can emerge from difficult periods as a stronger company, if we take the necessary steps.

When it became clear that the economic downturn was going to be significant and prolonged, FedEx took steps to trim operating costs while minimizing the loss of jobs. We cut discretionary spending company-wide, reduced labor hours, eliminated merit-based salary increases for 2009, suspended 401(k) company-matching contributions and cut our marketing and advertising budget by 35 percent. Salaries of exempt employees were reduced incrementally up to the 20 percent reduction taken by Frederick W. Smith, our chairman, president and CEO.

In total, these actions — along with optimization in our operations — helped us cut expenses by more than \$2 billion for all of fiscal 2009, protecting our business and minimizing the loss of jobs.

There may be no better evidence of our company's resilience than how strong our team members' spirit remained during this difficult economic period. Despite the sacrifices we've all had to make, the service our team members gave our customers consistently lived up to what we call the Purple Promise — to make every FedEx experience outstanding. In 2009 our employee engagement participation rates remained at an exceptionally high level, essentially unmoved from the previous year (see graph above).


But engagement scores are only one way to look at our team members. When we improve the efficiency of our planes, trucks and facilities, it reflects the imagination and hard work of our team members. When we participate in disaster relief programs, our team members not only offer their time, they volunteer their expertise to help solve problems. Our team members share the stories of how they bring that FedEx spirit to life — both in our business and in the community — in a campaign called "I Am FedEx."

As we move beyond the worst of the global financial crisis and continue to provide Access to the world, our company, at its heart, is about people — the people we serve and our team members who serve them. Our culture of volunteerism is a hallmark of what makes FedEx a great place to work. This is why we've recently committed to instituting some new internal programs that support and advance our team members' ability to contribute their skills to increase the sustainability of our business — and our world.

One such program is our new volunteer management system, which will help us connect team members to volunteer opportunities, better empower volunteers at the local level, help event coordinators more easily manage events and allow team members to share their experiences and tell their stories (see Page 20). Another program is EarthSmart @ Work, which will enable team members to make significant contributions to the environmental sustainability of our business.

(1) Percent of eligible global employees who participate in annual feedback surveys



A photograph of several FedEx employees in a meeting. A man in the foreground, wearing a dark blue FedEx polo shirt and a lanyard, is smiling and looking towards the camera. Behind him, other employees are visible, some looking at a whiteboard with charts. The scene is indoors, likely a conference room or office.

Our goal as a company is to do as much for our people as they do to meet the expectations of our customers, shareowners and communities, every day.



# EarthSmart @ Work

At FedEx, we know that connecting the world in responsible and resourceful ways would be impossible without the energy and creativity of our team members. In fact, our ability to create and enact an enterprise-wide program like EarthSmart (see Page 4) could only begin with our people.

We are in the beginning phases of EarthSmart @ Work — one of EarthSmart’s three components — which will continuously tap into and renew the spirit of innovation that lives within our team members.

EarthSmart @ Work is designed to educate FedEx team members about our company’s sustainability efforts — and to engage them in evolving those efforts. Through a series of existing policies and procedures, as well as activation and information-sharing programs, team members can contribute to making our workplace and business more sustainable, economically and environmentally.

We divide the EarthSmart @ Work system into three distinct areas: Inform, Involve and Innovate.

## Inform

Informing our team members is a critical component of EarthSmart @ Work. Continuously sharing new information and best practices internally will enable our team members to generate and submit new ideas that will help our company achieve its strategic goals and make the workplace more sustainable. We’ll

use social media tools to share information. We’ll work to learn from and harness the skills and perspectives that are unique to each of our operating companies and regions. Training programs and a database of EarthSmart projects will make our efforts transparent to all team members.

## Involve

Through the use of forums, discussion groups and formal feedback opportunities, our team members will be able to communicate their ideas, share stories and learn from each other, becoming more involved in our sustainability efforts. We are also creating strategic volunteering opportunities — chances for our team members to be involved in the community, applying their unique skills and capabilities with organizations that need them.

## Innovate

We also plan to capture our team members’ EarthSmart ideas, using a formal submission process built around specific parameters. These ideas will then be reviewed against our company’s strategic goals and, if accepted, will be implemented by the appropriate business unit or operating company. Our hope is that by involving our team members and sharing information across all levels of the company, we will create a system that continuously generates new, sustainable solutions that move our company and our industry forward.

### Global Team Members

FY09  
280,000

FY08  
290,000

We’ve been listed on  
*FORTUNE* Magazine’s “100 Best  
Companies to Work For”

for 12 of the past 13 years,  
and are on the 2010 list.

### Full-time U.S. Retention Rate



### United States Workforce Ethnicity

White  
57.2%

Black or  
African-American  
25.4%

Hispanic or  
Latino  
12.0%

Asian  
3.5%

Native Hawaiian  
or Pacific Islander  
0.2%

American Indian or  
Alaskan Native  
0.7%

Two or More  
Races  
1.0%

### Total Corporate Spending: Minority, Women-owned and Small Businesses

CY08  
\$3.1 billion

CY07  
\$2.8 billion



# Employee Engagement and Feedback Programs

Engaging our team members and soliciting their ideas have always been an important part of our culture; it didn't just begin with EarthSmart @ Work. In fact, throughout our company's history, we've made a point of valuing our team members' contributions, insights, performance and spirit. This graphic represents a collection of some of our most important and effective team member-focused programs.



Women in the  
Global Workforce<sup>(1)</sup>

FY09

27.5%

Women in  
Management  
Roles Globally<sup>(1)</sup>

FY09<sup>(1)</sup>

21.7%

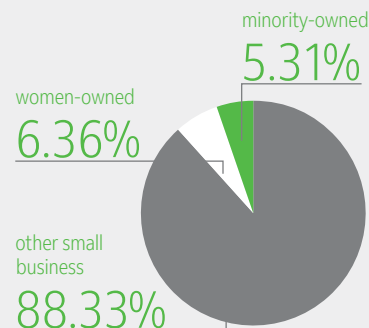
U.S. Ethnic Minorities in  
Management Roles<sup>(1)</sup>

FY09

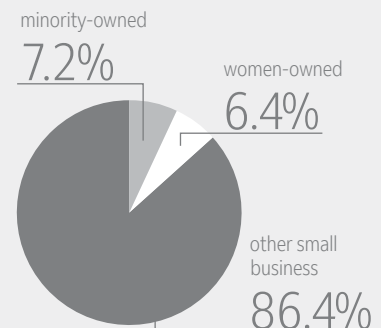
27.0%

(1) We remain focused on increasing the percentage of women and minorities in the workforce and management.

% Small-business Spending, CY08



% Small-business Spending, CY07



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## References

### Access

<http://access.fedex.com>

### Annual Report

<http://ir.fedex.com>

### Board of Directors

<http://ir.fedex.com/committees.cfm>

### Code of Business Conduct and Ethics

<http://ir.fedex.com/downloads/code.pdf>

### Corporate Governance

<http://www.fedex.com/us/investorrelations/corpgov/>

### Diversity Councils and Alliances

<http://csr.fedex.com>

### Global Citizenship Report

<http://csr.fedex.com>

### Values

<http://www.fedex.com/us/about/today/mission.html>

## Forward-looking Statements

Certain statements in this report may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. These statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical experience or from future results expressed or implied by the statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the global markets in which we operate, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, and other factors that can be found in our press releases and filings with the Securities and Exchange Commission.

## Some of Our Awards and Recognitions in 2009

Dow Jones Sustainability Index North America

Boston College-Reputation Institute  
2009 CSR Index Top 10 Ranking

*Newsweek* Greenest Companies Ranking Top 100

EPA Green Power Partnership Printer's List  
No. 1 Ranking

Green Grades Office Supply Report Card's  
Top Ranking

Flight Safety Foundation's Honeywell Bendix  
Trophy for Aviation Safety

2009 W<sup>3</sup> Awards' Gold Award in the business  
category for our Citizenship Blog at [blog.fedex.com](http://blog.fedex.com)

*FORTUNE* Magazine's "100 Best Companies  
to Work For"

This 8.5" x 8.5" report fits the same amount of content as the standard 8.5" x 11" while reducing the amount of natural resources used as each press sheet accommodates a layout of 24 pages per press form instead of the standard 16.

All the paper utilized in the production of this book contains 100% pulp derived from post-consumer recycled fiber and was created with wind-generated electricity. This paper is also certified by the Forest Stewardship Council, which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forests.

# FedEx Corporation

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### REALIZED SAVINGS:

- 9,992 gal wastewater flow saved
- 15,014,400 BTUs energy not consumed
- 2,245 lbs net greenhouse gases prevented
- 1,163 lbs air emissions not generated
- 1.1 barrels crude oil unused