

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended May 31, 2023.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.

Commission file number 1-15829

FedEx Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*
942 South Shady Grove Road, Memphis, Tennessee
(Address of Principal Executive Offices)

62-1721435
*(I.R.S. Employer
Identification No.)*
38120
(ZIP Code)

Registrant's telephone number, including area code: **(901) 818-7500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	FDX	New York Stock Exchange
0.450% Notes due 2025	FDX 25A	New York Stock Exchange
1.625% Notes due 2027	FDX 27	New York Stock Exchange
0.450% Notes due 2029	FDX 29A	New York Stock Exchange
1.300% Notes due 2031	FDX 31	New York Stock Exchange
0.950% Notes due 2033	FDX 33	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the Registrant, computed by reference to the closing price as of the last business day of the Registrant's most recently completed second fiscal quarter, November 30, 2022, was approximately \$42.4 billion. The Registrant has no non-voting stock.

As of July 13, 2023, 251,187,242 shares of the Registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be delivered to stockholders in connection with the 2023 annual meeting of stockholders to be held on September 21, 2023 are incorporated by reference in response to Part III of this Report.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K (this “Annual Report”), including (but not limited to) those contained in “Item 1. Business”; “Item 1A. Risk Factors”; “Item 2. Properties”; “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities”; the “Business Optimization and Realignment Costs,” “Income Taxes,” “Outlook,” “Reportable Segments,” “Liquidity Outlook,” and “Critical Accounting Estimates” sections of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition”; and the “Description of Business Segments and Summary of Significant Accounting Policies,” “Goodwill and Other Intangible Assets,” “Long-Term Debt and Other Financing Arrangements,” “Leases,” “Income Taxes,” “Retirement Plans,” “Business Segments and Disaggregated Revenue,” “Commitments,” and “Contingencies” notes to the consolidated financial statements in “Item 8. Financial Statements and Supplementary Data” are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations, cash flows, plans, objectives, future performance, and business. Forward-looking statements include those preceded by, followed by, or that include the words “will,” “may,” “could,” “would,” “should,” “believes,” “expects,” “forecasts,” “anticipates,” “plans,” “estimates,” “targets,” “projects,” “intends,” or similar expressions. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated (expressed or implied) by such forward-looking statements, because of, among other things, the risk factors identified above and the other risks and uncertainties you can find in our press releases and other Securities and Exchange Commission (“SEC”) filings.

As a result of these and other factors, no assurance can be given as to our future results and achievements. Accordingly, a forward-looking statement is neither a prediction nor a guarantee of future events or circumstances and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

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PART I

ITEM 1. BUSINESS

Overview

FedEx Corporation (“FedEx”) was incorporated in Delaware on October 2, 1997 to serve as the parent holding company and provide strategic direction to the FedEx portfolio of companies. FedEx provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce, and business services, offering integrated business solutions through operating companies competing collectively, operating collaboratively, and innovating digitally as one FedEx. These companies are included in the following reportable business segments:

- **FedEx Express:** Federal Express Corporation (“FedEx Express”) is the world’s largest express transportation company, offering time-definite delivery to more than 220 countries and territories, connecting markets that comprise more than 99% of the world’s gross domestic product.
- **FedEx Ground:** FedEx Ground Package System, Inc. (“FedEx Ground”) is a leading North American provider of small-package ground delivery services. FedEx Ground provides low-cost, day-certain service to any business address in the U.S. and Canada, as well as residential delivery to 100% of U.S. residences through its FedEx Home Delivery service. FedEx Ground Economy specializes in the consolidation and delivery of high volumes of low-weight, less time-sensitive business-to-consumer packages.
- **FedEx Freight:** FedEx Freight Corporation (“FedEx Freight”) is a leading North American provider of less-than-truckload (“LTL”) freight transportation services across all lengths of haul to businesses and residences. Within the contiguous U.S., FedEx Freight offers FedEx Freight Priority, when speed is critical to meet a customer’s supply chain needs; FedEx Freight Economy, when a customer can trade time for cost savings; and FedEx Freight Direct, a service to meet the needs of the growing e-commerce market for delivery of big and bulky products to or through the door for residences and businesses. FedEx Freight also offers freight delivery service to most points in Puerto Rico and the U.S. Virgin Islands.
- **FedEx Services:** FedEx Corporate Services, Inc. (“FedEx Services”) provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our operating segments.

The FedEx Dataworks, Inc. (“FedEx Dataworks”) operating segment is focused on creating solutions to transform the digital and physical experiences of our customers and team members. ShopRunner, Inc. (“ShopRunner”) was merged into FedEx Dataworks during 2023. Additionally, the FedEx Office and Print Services, Inc. (“FedEx Office”) operating segment provides document and business services and retail access to our package transportation businesses and the FedEx Logistics, Inc. (“FedEx Logistics”) operating segment provides customs brokerage and global ocean and air freight forwarding through FedEx Trade Networks Transport & Brokerage, Inc. (“FedEx Trade Networks Transport & Brokerage”) and integrated supply chain management solutions through FedEx Supply Chain Distribution System, Inc. (“FedEx Supply Chain”). FedEx Dataworks, FedEx Office, and FedEx Logistics are included in “Corporate, other, and eliminations” in our segment reporting. For more information about FedEx Dataworks, FedEx Office, and FedEx Logistics, please see “FedEx Dataworks Operating Segment,” “FedEx Office Operating Segment,” and “FedEx Logistics Operating Segment.”

For more information about our reportable segments, please see “Business Segments.” For financial information concerning our reportable segments, refer to “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” and “Item 8. Financial Statements and Supplementary Data” of this Annual Report.

Our website is located at [fedex.com](https://www.fedex.com). Detailed information about our services, e-commerce tools and solutions, and environmental, social, and governance (“ESG”) initiatives can be found on our website. In addition, we make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all exhibits and amendments to such reports available, free of charge, through our website, as soon as reasonably practicable on the day they are filed with or furnished to the SEC. The Investor Relations page of our website, investors.fedex.com, contains a significant amount of information about FedEx, including our SEC filings and financial and other information for investors. The information that we post on the Investor Relations page of our website could be deemed to be material information. We encourage investors, the media, and others interested in FedEx to visit this website from time to time, as information is updated and new information is posted. The information on our website, however, is not incorporated by reference in, and does not form part of, this Annual Report.

Except as otherwise specified, any reference to a year indicates our fiscal year ended May 31 of the year referenced. References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment, and the FedEx Freight segment.

One FedEx and Network 2.0

In the fourth quarter of 2023, we announced “one FedEx”, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network under the respected FedEx brand. FedEx Freight will continue to provide LTL freight transportation services as a stand-alone and separate company under Federal Express Corporation. The organizational redesign will be implemented in phases with full implementation expected in June 2024. One FedEx will help facilitate our DRIVE transformation program to improve long-term profitability, including Network 2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.

We have announced the implementation of Network 2.0 in more than 20 markets, including the phased transition of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024. Under Network 2.0, FedEx will continue to utilize both employees and contracted service providers. See “Business Segments” below, “Item 1A. Risk Factors,” and “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information on one FedEx, Network 2.0, and DRIVE.

Strategy

The collective FedEx brand gives us our competitive edge. Further, our strategy allows us to manage our business as a portfolio, in the long-term best interest of the enterprise. As a result, we base decisions on capital investment and service additions or enhancements upon achieving the highest overall long-term return on capital for our business as a whole. We focus on making appropriate investments in the technology and assets necessary to optimize our long-term earnings performance and cash flow. Our business strategy also provides flexibility in structuring our network to align with varying macroeconomic conditions and customer demand for the market segments in which they operate, allowing us to leverage and manage change. Volatility, uncertainty, and evolution have become the norms in the global transportation market, and we are able to use our flexibility to accommodate changing conditions in the global economy.

Over the last 50 years, we built networks that have created a differentiated and unmatched portfolio of services while continuously evolving to meet the changing needs of our customers and the market. We made significant investments in our service network in recent years to build out our infrastructure and services to meet increased e-commerce demand. Through one FedEx and Network 2.0, we are building a simplified experience to better serve our customers with enhanced capabilities and transforming to operate with more flexibility, efficiency, and intelligence. One FedEx and Network 2.0 will leverage the strength of our networks, people, and assets in more efficient ways, enabling a distinct focus on air and international volume while facilitating a more holistic approach to how we move packages on the ground.

Innovation inspired our start at FedEx 50 years ago, and it is fueling our future as we combine logistics with digital intelligence. Leveraging the capabilities of FedEx Dataworks, developments in data and technology are facilitating the execution of our DRIVE transformation by creating new opportunities to improve our operational efficiency by optimizing our existing physical capacity and staffing. See “Business Segments” below for more information. Additionally, the size and scale of our global network gives us key insights into global supply chains and trends. This foundation provides an immense amount of data we can use to build better insights, improve the customer experience, and differentiate our service offering. To fully harness the power of this data, FedEx Dataworks is focused on putting our data into context and using it to enhance the efficiency of the FedEx network and our customers’ supply chains, as well as the end-to-end experience of our customers.

“Safety Above All” is the first and foremost value in every aspect of our business. We are committed to making our workplaces and communities safer for our team members, customers, and the public. This philosophy is embedded in our day-to-day work through rigorous policies, continual education and engagement, and investments in technology designed to prevent accidents.

Through our global transportation, information technology, and retail networks, we help to facilitate an ongoing and unprecedented expansion of customer access — to goods, services, and information. We believe it would be extremely difficult, costly, and time-consuming to replicate our global network, which reflects decades of investment, innovation, and expertise, includes the world’s largest all-cargo air fleet, and connects more than 99% of the world’s gross domestic product. We continue to position our company and team members to facilitate and capitalize on this access and to achieve stronger long-term growth, productivity, and profitability.

During 2023 and early 2024, we introduced and expanded a number of innovative solutions, advanced important long-term business initiatives, and made other important investments that benefit our customers, team members, communities, and other stakeholders, including:

- Launching DRIVE, a comprehensive program to improve our long-term profitability, including Network 2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.
- Announcing one FedEx, our consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network.
- Expanding Picture Proof of Delivery to 90% of global residential deliveries.
- Improving service at FedEx Express and FedEx Ground through the reopening and completion of intra-European road hubs and continued enhancements to route optimization and package handler scheduling technologies.
- Offering FedEx Consolidated Returns in the U.S., a low-priced, customer-friendly e-commerce returns option facilitated through supply chain services offered by FedEx Logistics and FedEx Office.
- Introducing FedEx Sustainability Insights in the U.S., a cloud-based engine that harnesses scan data from our global logistics network to enhance customer access to emissions information.
- Exceeding our FedEx Cares 50 by 50 goal of positively impacting 50 million people around the world by our 50th anniversary in April 2023.

Reputation and Responsibility

FedEx is one of the most trusted and respected companies in the world, and the FedEx brand name is a powerful sales and marketing tool. Among the many reputation awards we received during 2023, FedEx ranked 18th in *FORTUNE* magazine's "World's Most Admired Companies" list — the 23rd consecutive year FedEx has ranked among the top 20 in the *FORTUNE* Most Admired Companies list, with 15 of those years ranking among the top 10. We also retained our position as the highest ranked delivery company on the "World's Most Admired Companies" list. Additionally, in 2023 Ethisphere, a global leader in defining and advancing the standards of ethical business practices, named FedEx as one of the World's Most Ethical Companies®.

Along with a strong reputation among customers and the general public, FedEx is widely acknowledged as a great place to work. For example, in 2023 FedEx was named the 21st best workplace overall in *FORTUNE* magazine's list of the "World's Best Workplaces."

The success of our efforts is built on our sound ESG practices, which are aligned with our strategic focus. Our 2023 ESG Report is available at fedex.com/en-us/sustainability/reports.html. This report details progress toward our ESG strategies, goals, and initiatives and our approach toward industry leadership in ESG to support our strategy and values. Information in our ESG Report is not incorporated by reference in, and does not form part of, this Annual Report.

We remain committed to helping lift local economies by investing in people and communities where we live and work. In the U.S., this includes seeking diverse suppliers and strengthening our supply chain by sourcing from small, minority-, and women-owned businesses. We are also proud of our long-standing history of supporting and fostering relationships with organizations that are working to make our society more equitable and just, such as the National Association for the Advancement of Colored People and the National Civil Rights Museum.

Human Resource Management

Our Culture

At FedEx, it is our people—our greatest asset—that stand at the heart of our success and are the foundation of our strong reputation. Our exemplary human network defines who we are and what kind of business we want to be. Ultimately, our success depends on our people's talent, dedication, and well-being. We strive to recruit, retain, develop, and support our team members as we grow globally. The Compensation and Human Resources Committee of our Board of Directors reviews and discusses with management our key human resource management strategies and programs, including company culture and diversity, equity, and inclusion ("DEI").

Throughout our 50-year history, the FedEx culture has driven our success. Our five culture values—take care of each other, commit to do good, drive business results, own outstanding, and create what’s next—unify all our operating companies and empower us to support our strategy and values. These values are grounded in our Quality Driven Management system, the Purple Promise to make every FedEx experience outstanding, and our People–Service–Profit philosophy, which we bring to life by:

- Prioritizing safety.
- Taking care of our team members.
- Embracing DEI so everyone feels appreciated and valued.
- Delivering excellence and value for our customers and stockholders.
- Acting with integrity in all that we do.
- Supporting our communities.
- Helping shape a better world.
- Growing profitably to reinvest in our team members and business.

Ultimately, our success depends on the talent, dedication, and well-being of our people. As we grow, we strive to recruit, retain, develop, and provide advancement opportunities for our team members. We continually work to make FedEx an inclusive, equitable, and growth-focused workplace where all team members have the opportunity to flourish.

Health and Safety

Our highest priority is the well-being, health, and safety of all our employees. Our “Safety Above All” philosophy is the first and foremost value in every aspect of our business and is key to maintaining a successful and safe business. Our detailed safety policies, education, and technology investments are embedded into our day-to-day work and help us follow through on our commitment to make our workplaces and communities safer for our team members, customers, and communities. The Governance, Safety, and Public Policy Committee of our Board of Directors oversees our safety strategies, policies, programs, and practices.

Diversity, Equity, and Inclusion Creates Opportunity

We believe that DEI delivers a better future for all team members, customers, suppliers, and communities. As a global business, we value the diversity of perspectives, backgrounds, and experiences of our people and recognize DEI is essential to our success and the communities we serve. DEI fosters collaboration, enables us to recruit, retain, and develop a talented workforce, and underpins our business performance and sustainability. The continued integration of DEI into our business strategies and progress towards our DEI objectives supported our ability to respond to the challenging labor market our industry faced in recent years.

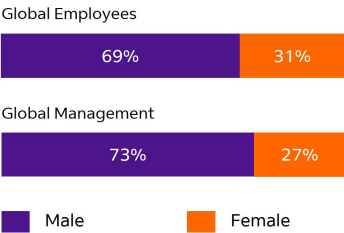
FedEx has a long-standing commitment to fully embrace DEI throughout our organization, from the Board of Directors to every employee. This commitment is communicated through our DEI framework and four strategic pillars: Our People; Our Education and Engagement; Our Communities, Customers, and Suppliers; and Our Story. We continue to roll out programs to ensure our people are engaged and can develop at FedEx. The FedEx Ground workforce career track program, Purple Pathways, directly targets our most diverse population, frontline managers and package handlers, to support their career growth.

To further our transparency efforts regarding our workforce composition, we report the prior year’s gender, racial, and ethnic composition of our U.S. workforce by EEO-1 job category, as set forth in the consolidated EEO-1 Reports filed by FedEx and its operating subsidiaries with the Equal Employment Opportunity Commission. These reports can be found on our DEI webpage at fedex.com/en-us/about/diversity-inclusion.html.

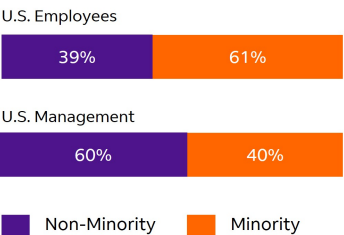
Quality of Life

To support the well-being of our employees and their families, we provide the resources they need to thrive at work and at home. All eligible full- and part-time team members are equipped with competitive benefits, including healthcare, wellness, paid sick leave, other flexible paid time off, and other benefits. To ensure our benefits and compensation stay competitive, we conduct periodic peer benchmarking and internal pay equity analyses.

2023 Global Employees by Gender¹



2023 Workforce Diversity in the U.S.²



¹Does not include TNT Express employees, FedEx Express employees in the European Union (“EU”) or U.S.-based FedEx Supply Chain employees.
²Does not include FedEx Supply Chain employees; 1.8% of U.S.-based FedEx employees unspecified.

All eligible full- and part-time employees and their eligible dependents receive competitive health benefits. In the U.S., we cover approximately 70% of total eligible health and disability costs at the plan level for approximately 212,000 participating employees as of May 2023. Additionally, we offer competitive time-off that is based on feedback from our team members about what is important to them, and provide 24/7 confidential counseling services to support the mental health and well-being of our employees and their household members. We frequently communicate with employees on how to access these resources to promote their use across the enterprise, with an increased focus on mental health resources in recent years.

Learning and Development

At FedEx, we are committed to helping our team members grow and further develop their careers. We proactively evolve our operating companies' learning frameworks to meet emerging trends and align existing competencies to future capabilities and skillsets to future-proof talent needs. Our learning and development opportunities increase team member engagement, improve retention, and enhance the employee value proposition. Across the enterprise, we tailor our Core New Employee Orientation to best fit team member responsibilities in their local workplace. This onboarding experience covers topics such as safety, security, compliance, sustainability, and DEI. After orientation, the FedEx Learning Center is available with more than 25,000 online courses to enable a more efficient and convenient learning experience.

We are committed to supporting team members who wish to pursue higher education in a variety of ways. The Learning inspired by FedEx (LiFE) program — a partnership between multiple FedEx operating companies and The University of Memphis—offers a suite of education benefits, including tuition-free, fully online degree options for over 30 associate's and bachelor's programs of study. Eligible employees include all FedEx Express employees at all hub and airport locations in the U.S. as well as all U.S.-based FedEx Logistics and FedEx Freight employees and all Memphis-based FedEx Supply Chain employees. In 2022, we expanded the LiFE program to include all majors The University of Memphis offers online and added mentoring opportunities. We are exploring opportunities to implement similar programs outside the U.S.

Talent Acquisition, Engagement, and Turnover

Our recruiting practices enable us to build a talented employee base representative of the communities we serve. We continue to refine our approach to talent acquisition through technology and other human resource management strategies, leveraging technology to make our hiring process more efficient. We value feedback from our team members and provide several avenues of engagement, such as annual surveys, employee networks, and direct feedback. These methods allow us to better understand employee concerns and expectations, and results from these engagements inform our future strategies. Annually, we conduct an engagement survey to measure employee insights on our culture, engagement, and diversity.

We work to provide employees with flexible work structures. Depending on the operating company and team member responsibilities, we use a flexible work model that allows our people to work in ways that make the most sense to them. We are constantly monitoring and adjusting our strategy as we learn of new developments and use survey data at the local, national, and enterprise levels to inform our strategy.

Globally, in 2022, we hired over 558,000 full- and part-time team members. Turnover for part-time team members, primarily package handlers at our sorting locations, was 205%, while full-time team member turnover was 32% in 2023. Turnover rates among part-time frontline workers in a number of industries are historically higher than among other employee groups. Within the ground transportation industry, many part-time workers pursue temporary employment opportunities that allow them to exit and re-enter the workforce more frequently based on their needs. These traditionally higher rates have recently been further exacerbated by the highly competitive labor market.

Other Information

As of May 31, 2023, FedEx employed approximately 328,000 permanent full-time and approximately 201,000 permanent part-time employees, and FedEx Ground utilized nearly 7,000 contracted service providers.

The pilots at FedEx Express, who are a small number of its total employees, are represented by the Air Line Pilots Association, International ("ALPA") and are employed under a collective bargaining agreement that took effect on November 2, 2015. The agreement became amendable in November 2021. Bargaining for a successor agreement began in May 2021, and in November 2022 the National Mediation Board ("NMB") began actively mediating the negotiations. In May 2023, FedEx Express reached a tentative successor agreement with ALPA. The tentative agreement was approved by ALPA's FedEx Express Master Executive Council in June 2023 and is being presented to FedEx Express's pilots for ratification during the first quarter of 2024. The ongoing ratification process has no effect on our operations.

A small number of our other employees are members of unions. For additional information, see “FedEx Express Segment” and “Regulation” below and “Item 1A. Risk Factors.”

Our Community

FedEx is committed to actively supporting the communities we serve worldwide through the strategic investment of our people, resources, and network. Through FedEx Cares, our global community engagement program, we support non-profit organizations working to solve social challenges relevant to our business, customers, and team members. We pair donations with charitable shipping and access to our global network, team member volunteers, subject matter expertise, influence, and connections to meet social and business goals. We make our biggest investments in areas where we can address significant issues and apply our unique business capabilities. Real change takes significant investment, authentic support for communities, and a commitment to continuous learning. FedEx Cares focuses on three major giving pillars:

- *Delivering for Good*: Lending our global network and unparalleled logistics expertise to organizations with mission-critical needs in times of disaster and helping communities heal, learn, and thrive.
- *Global Entrepreneurship*: Advancing women and minority-owned small businesses globally through training and increased access to resources, capital, and new markets.
- *Sustainable Logistics*: Accelerating process innovations such as public transportation and technological innovations such as natural carbon capture and clean energy to reduce the environmental impact of the logistics industry.

Additionally, our commitments to DEI and team member volunteerism are foundational to FedEx Cares.

In 2023 we exceeded our FedEx Cares 50 by 50 goal of positively impacting 50 million people around the world by our 50th anniversary in April 2023. We also launched a “50 Days of Caring” initiative leading up to the anniversary during which FedEx team members gave back to their communities through service projects around the world and created the FedEx Founder’s Fund — a philanthropic endowment honoring Frederick W. Smith and his legacy as a business leader and changemaker in communities around the world. Additionally, FedEx supports communities throughout the U.S. with its FedEx Cares Employee Giving program.

We believe the investments we make in our communities today, combined with team member engagement, set the stage for a brighter tomorrow. For additional information on our community involvement and our FedEx Cares strategy, visit fedexcares.com.

The Environment

Our “Practical Sustainability” philosophy and “Reduce, Replace, Revolutionize” approach guide our sustainability strategy. At FedEx, we recognize our business’s effect on the environment and communities we serve, including greenhouse gas (“GHG”) criteria air pollutant emissions, noise pollution, and waste generation from packaging, and remain steadfast in our commitment to minimize these impacts. We are also cognizant of the effect climate change could have on our business operations. In our business planning and strategy, we consider events such as intensified weather, GHG emissions regulations, increased media and investor attention, and enhanced customer demands to address environmental challenges. FedEx has 50 years of experience proactively addressing unexpected situations, such as severe weather events, and we maintain system flexibility to minimize impacts on our customers. While climate change poses a strategic risk to our business and stakeholders, we recognize the opportunities it simultaneously creates around sustainable products and services that advance our customers’ environmental goals.

We align our assessment and reporting approach with the recommendations from the Global Reporting Initiative, Sustainability Accounting Standards Board, and the Task Force on Climate-related Financial Disclosures. Our approach is informed by the climate-related physical and transition risks we identify through our enterprise risk management process. Climate change-related risks and opportunities are assessed as part of our annual risk assessment process, and we continue to closely monitor public attitudes, geopolitical concerns, and global regulations.

In 2021 we announced our goal to achieve carbon neutrality by calendar 2040 across our global operations’ Scope 1 and Scope 2 GHG emissions and our Scope 3 contracted transportation emissions. To help reach this goal, we designated \$2.0 billion of initial investment towards vehicle electrification, sustainable energy, and carbon sequestration, including a pledge of \$100 million to Yale University to help establish the Yale Center for Natural Carbon Capture. In addition, we continue to leverage other approaches to reduce aircraft and vehicle emissions, such as increased interline usage at FedEx Express and intermodal rail usage at FedEx Ground and FedEx Freight.

Vehicle Electrification

Electrifying a substantial portion of our global fleet of motorized vehicles is a crucial component of our path to carbon-neutral operations. We plan to transition the entire FedEx parcel pickup-and-delivery fleet to zero-tailpipe emissions electric vehicles by calendar 2040, using a phased approach to replace existing vehicles. For example, by calendar 2025, we expect 50% of FedEx Express global pickup-and-delivery vehicle purchases will be electric, rising to 100% of all purchases by calendar 2030, subject to availability.

FedEx Express continues to expand its electric vehicle fleet through its relationship with General Motors' BrightDrop, and has taken delivery of 500 BrightDrop electric vehicles as of June 2023. FedEx Ground is developing a comprehensive strategy to facilitate the electric vehicle transition for our independent service providers, and is implementing the necessary infrastructure at our facilities to provide charging solutions. Additionally, FedEx Freight is evaluating electric vehicle opportunities to define scalable solutions for its entire fleet.

We are actively building the innovative charging infrastructure required to support our growing fleet of electric vehicles across our vast network of facilities, and continue to electrify forklifts, airport ground service equipment, and other non-road vehicles across our operating companies to reduce fuel and maintenance costs. We understand that challenges remain, including electric vehicle availability, electrification of certain vehicle classes due to operational needs, legislative changes, grid capacity, and certain operating conditions. For more information, see "Item 1A. Risk Factors" of this Annual Report.

Fleet efficiency enables ongoing fuel, emissions, and cost reductions as the industry works to address these challenges. FedEx Express has established a goal to increase vehicle fleet efficiency by 50% from a 2005 baseline by calendar 2025. Through 2022, our efforts collectively resulted in a 40% improvement in FedEx Express vehicle fleet efficiency from our 2005 baseline.

Sustainable Fuels

To reduce aircraft and vehicle emissions, we continue to pursue viable, cost-effective alternative fuels. Our global fleet of over 6,200 alternative fuel vehicles includes hybrid, electric, liquified or compressed natural gas, liquified petroleum gas, and hydrogen fuel cell vehicles, and we will continue to grow our alternative fuel fleet in the coming years, subject to availability. Decarbonizing heavyweight transportation is more challenging than parcel pickup-and-delivery vehicles due to the required mileage range and the time needed to refuel or charge. We continue to explore alternative fuels for certain vehicles not easily electrifiable.

We have also established a goal of obtaining 30% of our annual jet fuel usage from blends of alternative fuels by calendar 2030. The U.S. government has passed legislation in recent years to incentivize production, and the EU recently adopted legislation implementing sustainable aviation fuel mandates. We understand the challenges the industry faces in deploying sustainable aviation fuel at scale and recognize other solutions may be needed to help the aviation industry improve efficiency and reduce emissions. To help accelerate solutions, we are members of the First Movers Coalition, participating in the Aviation Sector working group, a global initiative working to decarbonize hard-to-abate industrial sectors, including the aviation industry.

Aircraft Fuel Conservation and Fleet Modernization

We continuously work to reduce the environmental impact of our aircraft fleet. Since 2005, we reduced our overall aircraft emissions intensity by 28%, primarily due to our ongoing FedEx Fuel Sense and aircraft modernization initiatives. Our global FedEx Fuel Sense program, which accounted for 13 million gallons of jet fuel savings in 2022, enables us to reduce the cost of fuel use and associated GHG emissions.

Additionally, our commitment to modernizing our aircraft fleet lowers costs, enhances reliability and operational adaptability, improves fuel efficiency, and reduces emissions intensity. During 2023, we retired our MD-10-30 fleet and accelerated the retirement of our MD-11 fleet to the end of 2028. See the "Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges" section of "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" of this Annual Report for more information on aircraft retirements during 2023.

We took delivery of two Boeing 777 Freighter ("B777F") aircraft in 2023, and plan to deploy an additional six B777F aircraft during 2024 and 2025. Similarly, we took delivery of 14 Boeing 767-300 Freighter ("B767F") aircraft in 2023, and plan to deploy an additional 24 B767F aircraft during 2024 and 2025. Delays could impact these timelines. We also continue to deploy new ATR 72-600F aircraft for shorter feeder routes to replace our aging ATR-42 aircraft and Cessna SkyCourier 408 cargo aircraft to help reduce the number of planes needed per feeder route and further improve our fuel efficiency. For more information about our expected future aircraft deliveries, see "Item 2. Properties" of this Annual Report under the caption "FedEx Express Segment" and Note 17 of the accompanying consolidated financial statements.

Facilities

We aim to continuously improve the sustainability, reduce the environmental impact, and increase the efficiency of our more than 5,000 air and ground hubs, local stations, freight service centers, and retail locations. While our energy demand is increasing to support electric vehicle deployment and charging infrastructure, we have increased our focus on facility energy management and off-site renewable energy procurement strategies to overcome this challenge. Energy management systems are essential to increasing efficiency at our facilities through monitoring, regulating, and optimizing our lighting, heating, ventilation, and air-conditioning equipment. In 2022, we generated on- and off-site solar energy at 29 locations across our operating companies.

We adopt the Leadership in Energy and Environmental Design (“LEED”) standard in the U.S. and the Building Research Establishment Environmental Assessment Method (“BREEAM”) in Europe to guide efficient facility design when appropriate. FedEx Express and FedEx Freight seek LEED certification on all new construction, and in total FedEx has 44 LEED-certified facilities and 13 BREEAM-certified facilities across our operating companies.

To reduce our operational waste footprint, we implement waste and recycling management processes in the U.S. We prioritize reducing our waste generation and recycling the waste we do produce.

Sustainable Customer Solutions

FedEx works to minimize packaging materials, optimize customer package size and weight, increase shipping efficiency, and maximize recyclability to reduce the environmental impacts of packaging materials and transporting goods. We offer end-to-end sustainability for customers by supplying sustainable packaging solutions and exploring carbon-neutral shipping opportunities. FedEx-branded cardboard packaging is 100% recyclable and contains an average of 36% recycled content. During 2022, 64% of FedEx-branded packaging was third-party certified and all paper purchased by FedEx Office was from vendors with responsible forest-management practices.

In 2023, we introduced the FedEx Sustainability Insights tool in the U.S., which built upon our previous Customer Emissions Calculator, to increase accessibility for our customers and suppliers to estimate CO₂e shipping emissions at package and account levels. Created by FedEx Dataworks, this cloud-based engine uses near-real time FedEx network data to estimate CO₂e emissions for both individual tracking numbers and *fedex.com* accounts. Users can view historical emissions data by account as well as search by tracking number with their *fedex.com* login.

For additional information on the ways we are minimizing our impact on the environment, see fedex.com/en-us/sustainability.html.

Governance

The FedEx Board of Directors is comprised of a majority of independent directors and is committed to the highest quality corporate governance and accountability to stockholders. Our Board of Directors periodically reviews all aspects of our governance policies and practices, including our Corporate Governance Guidelines (the “Guidelines”) and our Code of Conduct, in light of best practices and makes whatever changes it deems appropriate to further our longstanding commitment to the highest standards of corporate governance. The Guidelines and the Code of Conduct, which apply to all of our directors, officers, and employees, including our principal executive officer and senior financial officers, are available under the ESG heading under “Governance” on the Investor Relations page of our website at investors.fedex.com. We will post under the ESG heading on the Investor Relations page of our website information regarding any amendment to, or waiver from, the provisions of the Code of Conduct to the extent such disclosure is required.

Business Segments

The following describes in more detail the operations of each of our principal operating segments:

FedEx Express Segment

FedEx Express

Overview

FedEx Express invented express distribution 50 years ago in 1973 and remains the industry leader, providing rapid, reliable, time-definite delivery of packages and freight to more than 220 countries and territories through an integrated global network.

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight, connecting markets that generate more than 99% of the world's gross domestic product through door-to-door, customs-cleared service, historically with a money-back guarantee. As of July 13, 2023, the money-back guarantee remains suspended for certain FedEx Express services in order to balance our focus on service and safety. FedEx Express's unmatched air route authorities and extensive transportation infrastructure, combined with leading-edge information technologies, make it the world's largest express transportation company. As of May 31, 2023, FedEx Express employed approximately 245,000 employees and had approximately 70,000 drop-off locations (including FedEx Office stores and FedEx OnSite locations, such as nearly 17,000 Walgreens, Dollar General, and Albertsons stores), 700 aircraft, and more than 82,000 vehicles in its global network.

FedEx Express also provides time-critical shipment services through FedEx Custom Critical, Inc. ("FedEx Custom Critical") and cross-border enablement and technology solutions and e-commerce transportation solutions.

Services

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight. FedEx Express offers three U.S. domestic overnight package delivery services: FedEx First Overnight, FedEx Priority Overnight, and FedEx Standard Overnight. FedEx SameDay service is available 365 days a year throughout all 50 states for urgent shipments up to 150 pounds. FedEx Express also offers U.S. express overnight and deferred freight services to handle the needs of the time-definite freight market.

International express and deferred package delivery is available to more than 220 countries and territories, with a variety of time-definite services to meet distinct customer needs. FedEx International Economy provides time-definite delivery typically in two to five business days. FedEx International First provides time-definite delivery to select postal codes in more than 25 countries and territories, with delivery to select U.S. ZIP Codes as early as 8:00 a.m. from more than 90 countries and Caribbean islands in one or two business days, delivery by 10:00 a.m. in one business day from the U.S. to Canada, and by 11:00 a.m. in one business day from the U.S. to Mexico. FedEx Express also offers domestic pickup-and-delivery services within certain non-U.S. countries, including France, the United Kingdom, Australia, Brazil, Italy, Canada, Mexico, Poland, India, China, and South Africa. In addition, FedEx Express offers comprehensive international express and deferred freight services, real-time tracking, and advanced customs clearance.

Our FedEx International Priority service provides end-of-day time-definite delivery in one to three business days to more than 220 countries and territories, and our FedEx International Priority Express service provides midday time-definite delivery in one to three business days to more than 25 countries and territories. Additionally, FedEx International Connect Plus, a contractual e-commerce service currently available from nearly 60 origin countries to over 195 destination countries, provides day-definite delivery typically within two to five business days.

For information regarding FedEx Express e-commerce tools and solutions, such as FedEx Delivery Manager and FedEx Returns Technology, see "FedEx Services Segment — Customer-Driven Technology — E-Commerce Solutions."

International Expansion

Over the years, FedEx Express has added capabilities in important international markets that have given us more robust transportation networks. Our 2016 acquisition of TNT Express accelerated our European and global growth; substantially enhanced our global footprint through TNT Express's lower-cost road networks in Europe, the Middle East, and Asia; and expanded our capabilities and solutions for our customers. The completion of the physical network integration of TNT Express into FedEx Express in 2022 and consolidation of flights into our Paris hub allow us to significantly improve operational efficiency, and the reopening and completion of central European road hubs in Duiven, The Netherlands and Novara, Italy in 2023 have improved our intra-European service.

We also have expanded our capabilities in the Asia-Pacific markets, including through the establishment of our Asia-Pacific hub at the Guangzhou Baiyun International Airport in southern China; our North Pacific regional hub at the Kansai International Airport in Osaka, Japan, which serves as a consolidation point for shipments from northern Asia to the U.S.; and our International Express and Cargo Hub in Shanghai at Shanghai's Pudong International Airport. During 2020, we added 14 new Asia-Pacific origin markets for FedEx International First service to the U.S. and Canada. These developments allow us to continue to better serve our global customers doing business in the Asia-Pacific markets. In 2022, FedEx Express entered into a strategic alliance with Delhivery, a leading logistics and supply chain services company in India.

To facilitate the use of our growing international network, we offer a full range of international trade consulting services and a variety of online tools that enable customers to more easily determine and comply with international shipping requirements.

Pursuant to an agreement with the U.S. Postal Service (“USPS”) that expires on September 29, 2024, FedEx Express provides airport-to-airport transportation of USPS First Class Mail, Priority Mail Express, and Priority Mail within the U.S. FedEx Express also provides transportation and delivery for the USPS’s international delivery service called Global Express Guaranteed under a separate agreement. For more information about our relationship with the USPS, see “Item 1A. Risk Factors” of this Annual Report.

Pricing

FedEx Express periodically publishes updates to the list prices for the majority of its services in its Service Guides. In general, shipping rates are based on the service selected, origin, destination, weight, size, any ancillary service charge, and whether the customer charged the shipment to a FedEx account. Effective January 2, 2023, FedEx Express implemented a 6.9% average list price increase for U.S. domestic, U.S. export, and U.S. import services.

In order to manage demand and capacity constraints in connection with the COVID-19 pandemic, between April 2020 and November 2020 FedEx Express implemented temporary surcharges on all international package and airfreight shipments. These surcharges continued as peak surcharges beginning in November 2020 and remain in effect. Additionally, beginning in June 2020 FedEx Express has implemented a series of peak surcharges generally applying to U.S. domestic shipments that are oversized or require additional handling, and to residential packages for customers meeting a certain volume threshold. Specific applicable surcharges have been adjusted periodically since their implementation, and higher surcharges were applied during the 2023 holiday peak season. Effective January 16, 2023, the U.S. domestic holiday peak surcharges were no longer in effect for residential shipments, and peak surcharges for shipments that are oversized or require additional handling were adjusted downward.

FedEx Express has an indexed fuel surcharge for U.S. domestic and U.S. outbound shipments and for shipments originating internationally, where legally and contractually possible. FedEx Express fuel surcharges are adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from ten days prior to the week in which it is assessed. Effective April 4, 2022, the tables used to determine U.S. domestic fuel surcharges at FedEx Express were updated. Effective January 30, 2023, the tables used to determine certain international fuel surcharges at FedEx Express were updated. See the “Results of Operations and Outlook — Consolidated Results — Fuel” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information.

Operations

FedEx Express’s primary sorting facility, located in Memphis, serves as the center of the company’s multiple hub-and-spoke system. A second national hub facility is located in Indianapolis. We are making investments over multiple years in our facilities to expand and modernize our Indianapolis hub and modernize our Memphis World Hub. See the “Financial Condition — Liquidity Outlook” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information. In addition to these national hubs, FedEx Express operates regional hubs in Fort Worth, Newark, Oakland, and Greensboro and major metropolitan sorting facilities in Chicago and Los Angeles.

Facilities in Anchorage, Paris, Cologne, Guangzhou, and Osaka serve as sorting facilities for express package and freight traffic moving to and from Asia, Europe, and North America. Additional major sorting and freight handling facilities are located at Narita Airport in Tokyo and Stansted Airport outside London. The facilities in Paris, Cologne, Guangzhou, and Osaka are also designed to serve as regional hubs for their respective market areas. A facility in Miami — the Miami Gateway Hub — serves our South Florida, Latin American, and Caribbean markets. A central air hub near Liege, Belgium connects specific large European markets. In addition to its worldwide air network, FedEx Express operates road networks in North America, Europe, the Middle East, Asia, Australia, and South America. FedEx Express’s unique European road network connects more than 45 countries and territories through 28 transit hubs and more than 700 stations.

Throughout its worldwide network, FedEx Express operates city stations and employs a staff of customer service agents, cargo handlers, and couriers who pick up and deliver shipments in the station’s service area. In some international areas, independent agents (“Global Service Participants”) have been selected to complete deliveries and to pick up packages. For more information about our sorting and handling facilities, see “Item 2. Properties” of this Annual Report under the caption “FedEx Express Segment.”

In connection with our DRIVE initiatives and through collaborations with FedEx Dataworks, we are transforming and optimizing the FedEx Express network to be more agile and efficient, including through the deployment of digital assets that allow us to more effectively balance the use of FedEx aircraft and Global Service Participants and implementation of a single daily dispatch of couriers within the U.S. domestic network.

FedEx Office offers retail access to FedEx Express shipping services at all of its retail locations. FedEx Express also has alliances with certain other retailers to provide in-store drop-off sites, including at nearly 17,000 Walgreens, Dollar General, and Albertsons stores. Our unstaffed FedEx Drop Boxes provide customers the opportunity to drop off packages in office buildings, shopping centers, and corporate or industrial parks.

Fuel Supplies and Costs

During 2023, FedEx Express purchased jet fuel from various suppliers under contracts that vary in length and which provide for estimated amounts of fuel to be delivered. The fuel represented by these contracts is purchased at market prices. We do not have any jet fuel hedging contracts. See “Pricing” above.

The following table sets forth FedEx Express’s costs for jet fuel and its percentage of FedEx Corporation consolidated revenues for the last five fiscal years:

Fiscal Year	Total Jet Fuel Cost (in millions)	Percentage of Consolidated Revenue
2023	\$ 4,515	5.0%
2022	3,867	4.1
2021	2,065	2.5
2020	2,265	3.3
2019	2,847	4.1

Most of FedEx Express’s vehicle fuel needs are satisfied by retail purchases with various discounts.

Competition

As described in “Item 1A. Risk Factors” of this Annual Report, the express package and freight markets are both highly competitive and sensitive to price and service, especially in periods of little or no macroeconomic growth. The ability to compete effectively depends upon price, frequency, reliability, capacity and speed of scheduled service, ability to track packages, extent of geographic coverage, innovative service offerings, and the fit within the customer’s overall supply chain.

Competitors within the U.S. include other package delivery concerns, principally United Parcel Service, Inc. (“UPS”), passenger airlines offering express package services, regional delivery companies, air freight forwarders, and the USPS. FedEx Express’s principal international competitors are DHL, UPS, DPD (a subsidiary of France’s La Poste’s GeoPost), General Logistics Systems (a Royal Mail-owned parcel delivery group), foreign postal authorities, passenger airlines, air freight forwarders, regional carriers, and all-cargo airlines. FedEx Express also competes with startup companies that combine technology with crowdsourcing to focus on local market needs. In addition, some high-volume package shippers, such as Amazon.com, are developing and implementing in-house delivery capabilities and utilizing independent contractors for deliveries, and may be considered competitors. For example, Amazon.com has established a network of hubs, aircraft, and vehicles and has expressed an intention to offer its internal delivery capabilities broadly to third parties. Many of FedEx Express’s international competitors are government-owned, -controlled, or -subsidized carriers, which may have greater resources, lower costs, less profit sensitivity, and more favorable operating conditions than FedEx Express. For more information, see “Item 1A. Risk Factors” of this Annual Report.

Employees

John A. Smith is the President and Chief Executive Officer — U.S. and Canada Ground Operations of FedEx Express and Richard W. Smith is the President and Chief Executive Officer — Airline and International of FedEx Express. As of May 31, 2023, FedEx Express employed approximately 188,000 permanent full-time and approximately 56,000 permanent part-time employees.

The pilots of FedEx Express, who are a small number of its total employees, are represented by ALPA and are employed under a collective bargaining agreement that took effect in November 2015. The collective bargaining agreement became amendable in November 2021. Bargaining for a successor agreement began in May 2021, and in November 2022 the NMB began actively mediating the negotiations. In May 2023, FedEx Express reached a tentative successor agreement with ALPA. The tentative agreement was approved by ALPA’s FedEx Express Master Executive Council in June 2023 and is being presented to FedEx Express’s pilots for ratification during the first quarter of 2024. The ongoing ratification process has no effect on our operations.

In addition to our pilots at FedEx Express, certain of FedEx Express's non-U.S. employees are unionized. In June 2022, the Transport Workers Union filed an application with the NMB requesting an election to represent approximately 130 Global Operations Control ("GOC") specialists who perform flight dispatching functions in FedEx Express's GOC center. The NMB dismissed the application in December 2022. FedEx Express believes its employee relations are excellent. See "Item 1A. Risk Factors" of this Annual Report for more information.

FedEx Custom Critical

FedEx Custom Critical provides a range of expedited, time-specific freight-shipping services throughout the U.S., Canada, and Mexico. Among its services are Surface Expedite, providing exclusive-use shipping and time-definite services; Air Expedite, offering an array of expedited air solutions to meet customers' critical delivery times; and White Glove Services, for shipments that require extra care in handling, temperature control, or specialized security. Service from FedEx Custom Critical is available 24 hours a day, 365 days a year. FedEx Custom Critical continuously monitors shipments through an integrated proprietary shipment-control system, including two-way satellite communications on exclusive-use shipments.

FedEx Ground Segment

Overview

By leveraging the FedEx brand, maintaining a low-cost structure, and efficiently using information technology and advanced automation systems, FedEx Ground continues to enhance its competitive position as a leading provider of business and residential ground package delivery services. As of July 13, 2023, the money-back guarantee for all FedEx Ground services remains suspended in order to balance our focus on service and safety. FedEx Ground serves customers in the North American small-package market, focusing on business and residential delivery of packages weighing up to 150 pounds. Ground service is provided to 100% of the continental U.S. population and overnight service of up to 400 miles to nearly 100% of the continental U.S. population. Service is also provided to nearly 100% of the Canadian population. In addition, FedEx Ground offers service to Alaska and Hawaii through a ground and air network operation coordinated with other transportation providers. FedEx Ground provides seven-day-per-week residential delivery to more than half of the U.S. population. See "One FedEx and Network 2.0" above for information regarding the transition of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024.

The company offers FedEx Home Delivery service, which reaches 100% of U.S. residences. FedEx Home Delivery is dedicated to meeting the delivery needs of residential customers and provides routine Saturday and evening delivery and premium options such as day-specific, appointment, and signature delivery. Sunday delivery is provided for more than half of the U.S. population. FedEx Home Delivery brings unmatched services to residential shippers and their customers and is the first residential ground package delivery service to have offered a money-back guarantee. FedEx Ground Economy service is available for the consolidation and delivery of high volumes of low-weight, less time-sensitive business-to-consumer packages to any residential address or PO Box in the U.S.

Pricing

FedEx Ground periodically publishes updates to the list prices for the majority of its services in its Service Guide. In general, U.S. shipping rates are based on the service selected, origin, destination, weight, size, any ancillary service charge, and whether the customer charged the shipment to a FedEx account. Effective January 2, 2023, FedEx Ground and FedEx Home Delivery implemented a 6.9% average list price increase. FedEx Ground Economy average list prices also increased.

To manage demand and capacity constraints in connection with the COVID-19 pandemic, beginning in June 2020 FedEx Ground implemented a series of surcharges generally applying to shipments that are oversized, unauthorized, or require additional handling; to residential packages for customers meeting a certain volume threshold; and to FedEx Ground Economy shipments. Specific applicable surcharges have been adjusted periodically since their implementation, and higher surcharges were applied during the 2023 holiday peak season. Effective January 16, 2023, the holiday peak surcharges were no longer in effect for residential shipments, and peak surcharges for shipments that are oversized or require additional handling were adjusted downward.

FedEx Ground has an indexed fuel surcharge, which is adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from two weeks prior to the week in which it is assessed. Effective April 4, 2022, the tables used to determine fuel surcharges at FedEx Ground were updated. See the "Results of Operations and Outlook — Consolidated Results — Fuel" section of "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" of this Annual Report for more information.

Operations

FedEx Ground operates a highly flexible network of over 700 sortation and distribution facilities, including more than 160 fully automated stations, in the U.S. and Canada as of May 31, 2023. FedEx Ground conducts its operations primarily with more than 100,000 vehicles owned or leased by independent service providers. To provide FedEx Home Delivery service and FedEx Ground Economy service, FedEx Ground leverages its pickup operation and hub and linehaul network.

Following a network expansion in recent years that substantially increased FedEx Ground's daily capacity through the addition of new facilities featuring the latest automated sorting technology as well as the expansion or relocation of existing hubs and other facilities, in 2023 the company rationalized its operations in response to lower volumes by consolidating sorts and cancelling several planned network capacity projects, continuing to manage staffing levels effectively, and reducing Sunday delivery operations.

FedEx Ground continues to leverage opportunities to maximize utilization of existing facilities and deploy new technologies to enhance operational efficiency. Advanced automated unloading and sorting technology is used to streamline the handling of millions of packages daily. FedEx Ground yard management systems, which interact with GPS tags on each trailer and create geofences around FedEx Ground facilities, automatically notify the control center when a trailer arrives and departs. Using overhead laser and six-sided camera-based bar code scan technology, hub conveyors electronically guide packages to their appropriate destination chute, where they are loaded for transport to their respective destination stations for local delivery.

Through collaboration with FedEx Dataworks, FedEx Ground is implementing dynamic scheduling tools to match sort staffing headcount with volumes and is introducing capabilities to allow certain packages to bypass station sortation and proceed directly to vehicles, which helps to maximize station capacity. Dock modernization efforts enabled by FedEx Dataworks, including a new network operating plan that uses machine learning and algorithms to develop more detailed and accurate volume forecasts, are enhancing productivity at FedEx Ground in furtherance of our DRIVE initiatives. Additionally, the company is testing autonomous, driverless technologies in the handling of large, non-conveyable packages, as well as artificial intelligence-enabled robotic product sortation systems to sort small packages.

Advanced route optimization technology leveraging the capabilities of FedEx Dataworks provides service providers near real-time data that can be used to plan efficient delivery routes and make decisions about vehicle mix and workforce. Additionally, software systems and internet-based applications are deployed to offer customers new ways to connect internal package data with external delivery information. FedEx Ground provides shipment tracing and proof-of-delivery signature functionality through the FedEx website, *fedex.com*. For additional information regarding FedEx Ground e-commerce tools and solutions, including FedEx Delivery Manager and FedEx Returns Technology, see "FedEx Services Segment — Customer-Driven Technology — E-Commerce Solutions."

FedEx Ground has introduced new vehicle safety technologies and incentives for adoption by its service providers, as well as new eligibility standards for drivers employed by service providers. Additionally, FedEx Ground has made significant operational enhancements to ensure safe and reliable handling of large and heavy items. These changes include designing new facilities, adding equipment to certain facilities, and making other operational adjustments.

FedEx Office offers retail access to FedEx Ground shipping services at all of its retail locations. FedEx Ground is also available as a service option at all FedEx Authorized ShipCenters and other FedEx OnSite locations, including at nearly 17,000 Walgreens, Dollar General, and Albertsons stores.

As of May 31, 2023, FedEx Ground employed approximately 56,000 permanent full-time and approximately 136,000 permanent part-time employees. In addition, FedEx Ground contracts with nearly 7,000 independent small businesses to conduct its linehaul and pickup-and-delivery operations, as the use of these service providers is well suited to the needs of the ground delivery business and its customers.

FedEx Ground is defending lawsuits in which it is alleged that FedEx Ground should be treated as an employer or joint employer of drivers employed by service providers engaged by FedEx Ground. We continue to believe that FedEx Ground is not an employer or joint employer of the drivers of these independent businesses. The status of the drivers employed by these service providers could be further challenged in connection with our one FedEx consolidation plan. For a description of these proceedings, see "Item 1A. Risk Factors" of this Annual Report and Note 18 of the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

Scott L. Ray is the President of FedEx Ground. FedEx Ground is headquartered in the Pittsburgh, Pennsylvania area, and its primary competitors are UPS, the USPS, and regional delivery carriers. FedEx Ground also competes with startup companies that combine technology with crowdsourcing to focus on local market needs. In addition, some high-volume package shippers, such as Amazon.com, are developing and implementing in-house delivery capabilities and utilizing independent contractors for deliveries. For example, Amazon.com has established a network of hubs and vehicles and has expressed an intention to offer its internal delivery capabilities broadly to third parties. For more information, see “Item 1A. Risk Factors” of this Annual Report.

FedEx Freight Segment

Overview

FedEx Freight is a leading North American provider of LTL freight services, offering choice, simplicity, and reliability to meet the needs of LTL shippers — FedEx Freight Priority, when speed is critical to meet a customer’s supply chain needs; FedEx Freight Economy, when a customer can trade time for cost savings; and FedEx Freight Direct, a service to meet the needs of the growing e-commerce market for delivery of big and bulky products to or through the door for residences and businesses. Through one comprehensive network of service centers and advanced information systems, FedEx Freight provides service to virtually every U.S. ZIP Code (including Alaska and Hawaii) with industry-leading transit times. FedEx Freight Priority has the fastest published transit times of any nationwide LTL service. Internationally, FedEx Freight Canada offers FedEx Freight Priority service, serving most points in Canada, as well as FedEx Freight Priority and FedEx Freight Economy service between Canada and the U.S. In addition, FedEx Freight serves Mexico, Puerto Rico, and the U.S. Virgin Islands via alliances. As of July 13, 2023, the money-back guarantee for all FedEx Freight services remains suspended in order to balance our focus on service and safety.

Through its many service offerings, FedEx Freight can match customers’ time-critical needs with industry-leading transit times. With the expansion of FedEx electronic solutions, LTL shippers have the convenience of a single shipping and tracking solution for FedEx Freight, FedEx Express, and FedEx Ground. These solutions make freight shipping easier and provide customers easy access to their account information. The FedEx Freight Advance Notice feature available on FedEx Freight Priority shipments uses the company’s innovative technology systems to proactively notify FedEx Freight customers via the internet, e-mail, or fax when a shipment may be delayed beyond its estimated delivery date, providing customers with greater visibility and control of their LTL freight shipments. Customers can also process cross-border LTL shipments to and from Canada and Mexico, as well as intra-Canada and -Mexico shipments, through FedEx Ship Manager at *fedex.com*, FedEx Ship Manager Software, FedEx Ship Manager Server, and FedEx Web Services. Additionally, FedEx Freight A.M. Delivery offers freight delivery by 10:30 a.m. within and between the U.S. and Canada. FedEx Freight also offers LTL Select, a free cloud-based, multi-carrier transportation management system that provides customers with visibility into all available carriers and their pricing in one location, as well as the ability to book service and make payments. FedEx Freight uses radio frequency identification technology and customized software to improve shipment visibility on its docks and enhance custodial control at the handling unit level.

FedEx Freight Direct addresses the growing e-commerce market for big and bulky products. It has four delivery service levels to meet customer needs, with basic and basic by appointment to-the-door services available to nearly 100% of the U.S. population and standard and premium through-the-door services available to 90% of the continental U.S. population, as well as flexible delivery windows, end-to-end visibility, proactive notifications, and returns services with flexible pickup windows and label-less options.

As of May 31, 2023, the FedEx Freight segment was operating nearly 30,000 vehicles from a network of approximately 390 service centers and had approximately 43,000 employees. The company plans to close and consolidate approximately 30 locations in the first quarter of 2024, and conducted several rounds of furloughs to match staffing with volume levels in 2023. Lance D. Moll is the President and Chief Executive Officer of FedEx Freight, which is based in Memphis, Tennessee. FedEx Freight’s primary competitors are YRC Worldwide Inc. (which includes YRC Regional Transportation and YRC Freight), XPO Logistics, Inc., Old Dominion Freight Line, Inc., ABF Freight (an ArcBest company), SAIA, Inc., and TFI International Inc.

We are currently bargaining with the International Brotherhood of Teamsters at one FedEx Freight facility.

Pricing

FedEx Freight periodically publishes updates to the list prices for the majority of its services in its 100 Rules Tariff. In general, shipping rates are based on the service selected, origin, destination, weight, class, any ancillary service charge, and whether the customer charged the shipment to a FedEx account. On January 2, 2023, FedEx Freight implemented a 6.9% average list price increase for customers who use FFX PZONE and FFX EZONE rates and a 7.9% average list price increase for customers who use FFX 1000 and FFX 501. These increases apply for shipments within the U.S. and between the contiguous U.S. and Canada.

In order to manage demand and capacity constraints, beginning in July 2021 FedEx Freight implemented a peak surcharge applying to specific delivery points within the U.S. The peak surcharge has been adjusted periodically since implementation. Effective November 15, 2021, FedEx Freight increased applicable length surcharges. Effective January 17, 2022, FedEx Freight added a surcharge that applies when a pickup is performed and no shipment is tendered to the carrier. Effective January 16, 2023, FedEx Freight changed the extreme length surcharge to a tier-based length structure. The company continues to explore ways to modernize freight pricing including through dimension-in-motion technology, which more accurately captures freight profile and improves its ability to cost and price shipments.

FedEx Freight has an indexed fuel surcharge, which is adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from two days prior to the day in which it is assessed. Effective April 4, 2022, the tables used to determine fuel surcharges at FedEx Freight were updated. See the “Results of Operations and Outlook — Consolidated Results — Fuel” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information.

FedEx Services Segment

FedEx Services provides our other companies with sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain other back-office support. Through FedEx Services, we provide a convenient single point of access for many customer support functions, enabling us to more effectively sell the entire portfolio of transportation services and to help ensure a consistent and outstanding experience for our customers.

Brie A. Carere and Robert B. Carter each serve as the Co-President and Co-Chief Executive Officer of FedEx Services, which is based in Memphis, Tennessee. As of May 31, 2023, the FedEx Services segment had approximately 15,000 employees.

Customer-Driven Technology

FedEx is a world leader in technology, and FedEx founder Frederick W. Smith’s vision that “the information about a package is as important as the delivery of the package itself” remains at the core of our comprehensive technology strategy. We strive to build technology solutions that will solve our customers’ business problems with simplicity, convenience, speed, and reliability. Additionally, FedEx stands at the nexus of digital and physical networks, a crucial intersection for the success of e-commerce deliveries. We continue to expand our e-commerce convenience network and explore innovative alternatives to help customers and businesses deliver. During 2023 we continued to advance a major information technology transition from traditional mainframe computing to cloud-based systems, which is delivering significant benefits in terms of flexibility, security, speed to market, and resiliency. See “FedEx Dataworks Operating Segment” below for more information on the solutions we are creating to “Innovate for Tomorrow.”

Shipping Management and Precision Tracking

The *fedex.com* website is widely recognized for its speed, ease of use, and customer-focused features. The advanced tracking capability within FedEx Tracking provides customers with a consolidated view of inbound and outbound shipments. Additionally, an advanced machine learning and artificial intelligence model developed by FedEx Dataworks has enhanced tracking capabilities on *fedex.com*, delivering greater estimated delivery date accuracy, including updates for early or delayed shipments. FedEx Virtual Assistant on *fedex.com* is an artificial-intelligence-enabled service that provides answers to customer shipping questions, allowing our customer service representatives and sales professionals to focus on higher-value customer interactions.

SenseAware, a FedEx innovation currently available in 135 countries worldwide, allows customers to stay connected to their critical shipments by providing real-time updates regarding current location, precise temperature, relative humidity, barometric pressure readings, light exposure, and shock events. Additionally, FedEx SenseAware ID is a lightweight sensor-based logistics device that delivers a new level of precision tracking. The enhanced location visibility provided by FedEx SenseAware ID is creating opportunities for FedEx customers to reimagine their supply chains through real-time updates on a package’s location within the FedEx Express network. FedEx is currently expanding access to FedEx SenseAware ID and plans to eventually make FedEx SenseAware ID available for a broad range of premium FedEx Express services.

FedEx Mobile is a suite of solutions including the FedEx mobile application, FedEx mobile website, and SMS text messaging. The FedEx Mobile app provides convenience for recipients to track packages and access FedEx Delivery Manager to customize home deliveries. Shippers can easily get rates and estimated delivery times and swiftly create a shipping label. All users can quickly find the nearest FedEx location for Hold at Location or drop-off. It is available on Android™ and Apple devices. The FedEx Mobile app has expanded to more than 220 countries and territories and 40 languages. SMS Notifications allows customers to track or follow a package via text messaging, and it is currently available in five countries.

Additionally, our FedEx Ship Manager suite of solutions, which was modernized in 2023, offers a wide range of options to help our customers manage their parcel and LTL shipping and associated processes.

E-Commerce Solutions

FedEx Delivery Manager allows our U.S. residential customers to customize home deliveries to fit their schedule by providing a range of options to schedule dates, locations, and times of delivery. Additionally, FedEx Returns Technology, a comprehensive solution for returns management, provides high-volume merchants and e-tailers complete visibility into returns and an easy way to track shipments, manage inventory, analyze returns trends, and make more informed decisions based on shoppers' returns behaviors. In 2023 we launched FedEx Consolidated Returns in the U.S., a low-priced, easy e-commerce solution for low-weight returns facilitated through supply chain services offered by FedEx Logistics and FedEx Office. Through FedEx Consolidated Returns, shoppers who purchased from participating merchants can drop off the items they wish to return with no box or label required at approximately 2,000 FedEx Office locations. The returned items will then be consolidated with other returns and processed through FedEx Logistics and sent back to the merchants via a less-than-truckload option.

FedEx OnSite, our retail convenience network, utilizes third-party retailers to receive and hold packages for FedEx customers. The FedEx OnSite network has grown to include nearly 17,000 Walgreens, Dollar General, and Albertsons stores in addition to our approximately 2,000 FedEx Office locations. In addition to allowing for an easy returns and drop-off experience for shoppers, the FedEx OnSite network is well positioned to serve as a "buy online, pickup in store" network for small and medium merchants without brick-and-mortar locations. We have also added FedEx Returns Technology to the Walgreens retail network, which allows for in-store printing of return shipping labels and eliminates the need to include a return label in every package.

We have expanded e-commerce delivery options for retailers with FedEx Extra Hours, a service that enables participating retailers to fulfill e-commerce orders into the evening and receive late pickups by FedEx Express, with next-day local delivery and two-day shipping to any address in the continental U.S. FedEx Extra Hours, which is currently available to select customers, allows retailers to extend evening order cutoff times by five to eight hours, with some as late as midnight, depending on their current order fulfillment process.

In June 2022, FedEx announced the launch of Picture Proof of Delivery for express and ground residential deliveries in the U.S. and Canada that are released without a signature. The capability has expanded to 90% of global residential deliveries.

Through innovative partnerships, FedEx Dataworks seeks to open pathways to e-commerce and empower customers with differentiated insights and tools. In 2021, we announced a multi-year collaboration with Adobe, starting with the integration of ShopRunner with Adobe Commerce's Magento platform. By integrating their online storefronts with ShopRunner, Adobe merchants are able to offer seamless checkout, two-day shipping, easy returns, and exclusive offers to shippers. The collaboration also gives merchants access to FedEx post-purchase logistics intelligence, allowing for better management of supply chains. In 2022, we announced a multi-year partnership with Salesforce that integrates Salesforce Commerce Cloud and Salesforce Order Management with innovative capabilities from FedEx and ShopRunner. In January 2022, FedEx and Microsoft announced a new cross-platform logistics solution for e-commerce aimed at increasing merchant competitiveness in the e-commerce space by improving customer engagement and providing enhanced shipping options, which was made available to customers in the U.S. in 2023. Additionally, in June 2022 FedEx and FourKites announced a strategic alliance to provide businesses with new, more robust real-time supply chain visibility capabilities. In November 2022, we announced a strategic alliance with Cart.com to create integrated solutions that help address some of the biggest e-commerce challenges.

Autonomous Solutions

FedEx is exploring the use of autonomous delivery technology within its operations. In 2022, we announced a multi-year, multi-phase agreement to test Nuro's next-generation autonomous delivery vehicle within FedEx operations. The collaboration with Nuro will explore various use cases for on-road autonomous vehicle logistics such as multi-stop and appointment-based deliveries.

In 2022, we began a pilot program with Aurora Innovation, Inc. ("Aurora") and PACCAR Inc. to test Aurora's autonomous driving technology in PACCAR autonomous vehicle platform-equipped trucks within FedEx linehaul operations. Additionally, FedEx Express is developing plans to test Elroy Air's autonomous air cargo system within the company's middle-mile logistics operations, moving shipments between sortation locations. We are also working with major national retailers, fast food restaurants, and drug stores to help assess different customers' autonomous delivery needs. In 2023, FedEx ended the research and development program for Roxo, the FedEx SameDay Bot, to prioritize these other nearer-term opportunities.

Marketing

The FedEx brand name symbolizes outstanding service, reliability, and speed. Emphasis is continually placed on promoting and protecting the FedEx brand, one of our most important assets. As a result, FedEx is one of the most widely recognized brands in the world. In addition to television, print, and digital advertising, we promote the FedEx brand through sponsorships and special events. For example, FedEx sponsors:

- The UEFA Champions League, which is broadcast in over 200 countries and territories worldwide.
- The season-long FedExCup competition on the PGA Tour, and the FedEx St. Jude Championship, a PGA Tour event that has raised millions of dollars for St. Jude Children's Research Hospital and is one of three annual FedExCup playoff events.
- The #11 Joe Gibbs Racing Toyota Camry driven by Denny Hamlin in the NASCAR Cup Series.

Additionally, FedEx is the "Official Delivery Service Sponsor" and "Official Office Services Provider" of the NFL, through which we conduct events and other activities to promote the FedEx brand, such as the "FedEx Air & Ground" NFL Players of the Week and Players of the Year Awards.

Information Security

FedEx Services has a team of highly qualified professionals dedicated to securing information about our customers' shipments and protecting our customers', vendors', and employees' privacy, and we strive to provide a safe, secure online environment for our customers. We are committed to compliance with applicable information security laws, regulations, and industry standards. For a description of risks related to information security, see "Item 1A. Risk Factors" of this Annual Report.

FedEx Dataworks Operating Segment

The FedEx Dataworks operating segment is focused on putting our data into context and using it to enhance the efficiency of the FedEx network and our customers' supply chains, as well as the end-to-end experience of our customers. The size and scale of our global network gives us a bird's-eye view of global supply chains and trends and provides an immense amount of data. As the digital twin of our physical network and a key enabler of our DRIVE transformation, FedEx Dataworks leverages this information to allow us to work differently through a more technology-enabled, data-driven approach. See "FedEx Express Segment — FedEx Express — Operations" and "FedEx Ground Segment — Operations" above for information regarding how FedEx Dataworks is enabling the transformation and optimization of our physical network at FedEx Express and FedEx Ground. FedEx Dataworks is also helping to build out a dynamic pricing infrastructure, which enabled 2023 holiday peak residential surcharges to adjust dynamically based on an individual customer's weekly peaking factor, and exploring and implementing ways for predictive anomaly detection to improve revenue quality.

FedEx Surround allows business customers to enhance visibility into its supply chain by leveraging data to provide near-real-time analytics into shipment tracking, which will drive more precise logistics and inventory management. FedEx Dataworks is helping to facilitate an open and collaborative e-commerce ecosystem that helps merchants provide seamless end-to-end experiences for their customers. ShopRunner is an e-commerce platform that directly connects brands and merchants with online shoppers. ShopRunner's data-driven marketing and omnichannel enablement capabilities also help brands and merchants acquire high-value customers and accelerate their digital innovation by using ShopRunner's e-commerce platform. We believe the complementary nature of ShopRunner's pre-purchase offerings combined with FedEx's post-purchase logistics intelligence enables brands and merchants to attract and engage consumers at scale by providing innovative online shopping experiences. In November 2022, ShopRunner announced the launch of its new mobile application. For additional information regarding FedEx Dataworks e-commerce partnerships, tools, and solutions, see "FedEx Services Segment — Customer-Driven Technology — E-Commerce Solutions."

Sriram Krishnasamy is the President and Chief Executive Officer of FedEx Dataworks, which is based in Memphis, Tennessee. As of May 31, 2023, FedEx Dataworks had approximately 400 employees. FedEx Dataworks is an operating segment that is included in "Corporate, other, and eliminations" in our segment reporting.

FedEx Office Operating Segment

As of May 31, 2023, FedEx Office operated approximately 2,000 customer-facing stores, providing convenient access to printing and shipping expertise with reliable service.

The FedEx Office brick-and-mortar network features retail stores, FedEx Office locations inside Walmart stores, manufacturing plants, corporate on-site print centers, and on-site business centers at colleges and universities, hotels, convention centers, corporate campuses, and healthcare campuses. Many of these locations are open later in the evenings to accommodate urgent printing projects and delivery drop-offs. FedEx Office has designed a suite of printing and shipping management solutions that are flexible and scalable, allowing customers to meet their unique printing and shipping needs. The network provides an adaptable cost model helping to save time, labor, and overhead by freeing up resources and avoiding fixed costs associated with large-scale printing and e-commerce parcel volumes. This is especially valuable to our enterprise customers looking to outsource their print supply chain. Services include digital printing, professional finishing, document creation, design services, direct mail, signs and graphics, custom-printed boxes, copying, computer rental, free Wi-Fi, corporate print solutions, expedited U.S. passport processing and renewal through a collaboration with a registered U.S. passport agency, and fully digital notarization services through FedEx Office Online Notary.

With the FedEx Office Print On Demand solution, customers can use their laptops or mobile devices to design their print needs or access their personal cloud accounts, and print directly to any FedEx Office location in the U.S., or have their order delivered right to their door. Customers also have the flexibility of using FedEx Office's Print & Go solutions to print at self-serve locations from USBs, the cloud, or through email. Print & Go solutions allow customers to access files using popular cloud providers Google Drive™, Box, Microsoft OneDrive®, and from FedEx Office's own My Online Documents, making printing easy.

FedEx Office has prioritized e-commerce and digital offerings as a growth opportunity for the enterprise/large, medium, and small business customers we serve. FedEx Office has partnered with a content and creative design platform to form a digital design-to-print marketplace offering millions of images and illustrations, an extensive library of templates, and a simple drag-and-drop interface to create custom business materials from *fedex.com* on any device, with next-day printing on many requests available at FedEx Office stores. Additionally, FedEx Office has partnered with a leading marketing solutions company to introduce an online branded promotional products marketplace that allows businesses to customize and purchase high-quality promotional products. FedEx Office has also made investments in new machines and technology, enhancing capabilities in narrow format color, grand format, large format, color management, enhanced finishing, and other technologies.

FedEx Office provides customers convenient access to the full range of FedEx Express and FedEx Ground shipping services. Customers may have their FedEx Express and FedEx Ground packages delivered to any FedEx Office customer-facing location nationwide through the Hold at FedEx Location service, free of charge, and may redirect packages to these locations through Redirect to Hold or AutoRedirect to Hold services. FedEx Office facilitates e-commerce and returns through FedEx Returns Technology, which allows for in-store printing of return shipping labels. Through FedEx Consolidated Returns, which we launched in 2023, shoppers who purchased from participating merchants can drop off the items they wish to return with no box or label required at a FedEx Office location. For information regarding FedEx Consolidated Returns, see “FedEx Services Segment — Customer-Driven Technology — E-Commerce Solutions.” We discontinued FedEx SameDay City operations during 2023.

FedEx Office also offers packing services, and packing supplies and boxes are included in its retail offerings. By allowing customers to have items professionally packed by specially trained FedEx Office team members and then shipped using FedEx Ground day-definite shipping or time-definite global FedEx Express shipping services, FedEx Office offers a complete “pack-and-ship” solution. FedEx Office also offers FedEx Pack Plus, which includes custom box building capabilities and techniques; a robust assortment of specialty boxes; and additional packing supplies, equipment, and tools to serve our customers' needs.

Almost all FedEx Office locations provide local pickup-and-delivery service for print jobs completed by FedEx Office. A FedEx courier picks up a customer's print job at the customer's location and then returns the finished product to the customer. Options and services vary by location.

Brian D. Philips is the President and Chief Executive Officer of FedEx Office, which is based in Plano, Texas. As of May 31, 2023, FedEx Office had approximately 12,000 employees. FedEx Office is an operating segment that is included in “Corporate, other, and eliminations” in our segment reporting.

FedEx Logistics Operating Segment

The FedEx Logistics operating segment plays a key role within the FedEx portfolio with a comprehensive suite of integrated logistics solutions, providing air and ocean cargo transportation, specialty transportation, customs brokerage, and trade management tools and data through FedEx Trade Networks Transport & Brokerage, as well as third party logistics and supply chain solutions through FedEx Supply Chain. FedEx Logistics has the unique ability to leverage the power of the FedEx transportation networks as well as its global network of service providers. Additionally, FedEx Logistics provides international trade advisory services.

Patrick Moebel is the President and Chief Executive Officer of FedEx Logistics, which is based in Memphis, Tennessee. As of May 31, 2023, the FedEx Logistics organization had approximately 21,000 employees. FedEx Supply Chain has a small number of employees who are members of unions. FedEx Logistics is an operating segment that is included in “Corporate, other, and eliminations” in our segment reporting.

FedEx Trade Networks Transport & Brokerage

FedEx Trade Networks Transport & Brokerage provides international trade services, specializing in customs brokerage, global ocean and air freight forwarding, and managed transportation. Additionally, FedEx Trade Networks Transport & Brokerage provides customs clearance services for FedEx Express at its major U.S. hub facilities and border customs clearance for FedEx Ground and FedEx Freight. FedEx Trade Networks Transport & Brokerage also offers global door-to-door air charter solutions collaborating with FedEx Express and U.S. import door-to-door less-than-container-load ocean solutions collaborating with FedEx Freight.

As trade throughout the world grows, so does the FedEx Trade Networks Transport & Brokerage solutions portfolio. As of May 31, 2023, FedEx Trade Networks Transport & Brokerage operated approximately 122 offices and facilities in 33 countries and territories throughout North America and in Africa, Asia-Pacific, Europe, India, Latin America, the Middle East, and Australia/New Zealand. FedEx Trade Networks Transport & Brokerage maintains a network of air and ocean freight-forwarding service providers and has entered into strategic alliances to provide services in certain countries in which it does not have owned offices.

FedEx Trade Networks Transport & Brokerage offers customized trade solutions that enable improved compliance practices through FedEx Trade Solutions.

FedEx Supply Chain

FedEx Supply Chain is a supply chain solutions provider specializing in Product Lifecycle Logistics® for technology, retail, consumer and industrial goods, and healthcare industries. With approximately 15,000 employees at 82 facilities as of May 31, 2023, FedEx Supply Chain provides a comprehensive range of integrated logistics services to enable growth, minimize cost, mitigate supply chain risk, and improve customer services. Service offerings include inbound logistics, warehousing and distribution, fulfillment, contract packaging and product configuration, systems integration, returns process and disposition, test, repair, refurbishment, and product liquidation.

FedEx Fulfillment is an e-commerce solution that helps small and medium-sized businesses fulfill orders from multiple channels, including websites and online marketplaces, and manage inventory for their retail stores. The FedEx Fulfillment platform is designed to be an easy-to-use and all-in-one logistics solution through which customers have complete visibility into their products, giving them an easy way to track items, manage inventory, analyze trends, and make more informed decisions by better understanding shoppers’ spending behaviors.

Seasonality

For information on the seasonality of our business, see the “Results of Operations and Outlook — Consolidated Results — Seasonality of Business” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report.

Trademarks

The “FedEx” trademark, service mark, and trade name are essential to our worldwide business. FedEx, FedEx Express, FedEx Ground, FedEx Freight, FedEx Services, FedEx Office, FedEx Logistics, FedEx Dataworks, FedEx Trade Networks Transport & Brokerage, FedEx Supply Chain, FedEx Custom Critical, and ShopRunner, among others, are trademarks, service marks, and trade names of Federal Express Corporation or the respective companies for which registrations, or applications for registration, are on file, as applicable. We have authorized, through licensing arrangements, the use of certain of our trademarks, service marks, and trade names by our contractors and Global Service Participants to support our business. In addition, we license the use of certain of our trademarks, service marks, and trade names on promotional items for the primary purpose of enhancing brand awareness.

Regulation

Air. Under the Federal Aviation Act of 1958, as amended (the “Federal Aviation Act”), both the U.S. Department of Transportation (“DOT”) and the Federal Aviation Administration (“FAA”) exercise regulatory authority over FedEx Express.

The FAA's regulatory authority relates primarily to operational aspects of air transportation, including aircraft standards and maintenance, as well as personnel and ground facilities, which may from time to time affect the ability of FedEx Express to operate its aircraft in the most efficient manner. FedEx Express holds an air carrier certificate granted by the FAA pursuant to Part 119 of the federal aviation regulations. This certificate is of unlimited duration and remains in effect so long as FedEx Express maintains its standards of safety and meets the operational requirements of the regulations.

The DOT's authority relates primarily to economic aspects of air transportation. The DOT's jurisdiction extends to aviation route authority and to other regulatory matters, including the transfer of route authority between carriers. FedEx Express holds various certificates issued by the DOT, authorizing FedEx Express to engage in U.S. and international air transportation of property and mail on a worldwide basis. These certificates will remain in effect as we maintain our economic fitness to perform all-cargo services in connection with our one FedEx consolidation plan.

Under the Aviation and Transportation Security Act of 2001, as amended, the Transportation Security Administration ("TSA"), an agency within the Department of Homeland Security, has responsibility for aviation security. The TSA requires FedEx Express to comply with a Full All-Cargo Aircraft Operator Standard Security Plan, which contains evolving and strict security requirements. These requirements are not static, but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations. It is reasonably possible that these rules or other future security requirements could impose material costs on us.

FedEx Express participates in the Civil Reserve Air Fleet ("CRAF") program. Under this program, the U.S. Department of Defense may requisition for military use certain of FedEx Express's wide-bodied aircraft in the event of a declared need, including a national emergency. FedEx Express is compensated for the operation of any aircraft requisitioned under the CRAF program at standard contract rates established each year in the normal course of awarding contracts. Through its participation in the CRAF program, FedEx Express is entitled to bid on peacetime military cargo charter business. FedEx Express, together with a consortium of other carriers, currently contracts with the U.S. government for such charter flights.

See "Item 1A. Risk Factors" of this Annual Report for discussion of regulations related to pilots, including the proposed pilot flight and duty time regulations, that could affect our business.

Ground. The ground transportation performed by FedEx Express is integral to its air transportation services. The enactment of the Federal Aviation Administration Authorization Act of 1994 abrogated the authority of states to regulate the rates, routes, or services of intermodal all-cargo air carriers and most motor carriers. States may now only exercise jurisdiction over safety and insurance. FedEx Express is registered in those states that require registration.

The operations of FedEx Ground, FedEx Freight, and FedEx Custom Critical in interstate commerce are currently regulated by the DOT and the Federal Motor Carrier Safety Administration, which retain limited oversight authority over motor carriers. Federal legislation preempts regulation by the states of rates, routes, and services in interstate freight transportation.

Like other interstate motor carriers, our operations, including those at FedEx Express, are subject to certain DOT safety requirements governing interstate operations. In addition, vehicle weight and dimensions remain subject to both federal and state regulations.

International. FedEx Express's international authority permits it to carry cargo and mail from points in its U.S. route system to numerous points throughout the world. The DOT regulates international routes and practices and is authorized to investigate and take action against discriminatory treatment of U.S. air carriers abroad. The right of a U.S. carrier to serve foreign points is subject to the DOT's approval and generally requires a bilateral agreement between the U.S. and the foreign government. In addition, the carrier must then be granted the permission of such foreign government to provide specific flights and services. The regulatory environment for global aviation rights may from time to time impair the ability of FedEx Express to operate its air network in the most efficient manner, and efficient operations often utilize open skies provisions of aviation agreements. Additionally, global air cargo carriers, such as FedEx Express, are subject to current and potential additional aviation security regulation by U.S. and foreign governments.

Our operations outside of the U.S., such as FedEx Express's international domestic operations, are also subject to current and potential regulations, including certain postal regulations and licensing requirements, that restrict, make difficult, and sometimes prohibit, the ability of foreign-owned companies such as FedEx Express to compete effectively in parts of the international domestic transportation and logistics market.

Communication. Because of the extensive use of radio and other communication facilities in its aircraft and ground transportation operations, FedEx Express is subject to the Federal Communications Commission Act of 1934, as amended. Additionally, the Federal Communications Commission (“FCC”) regulates and licenses FedEx Express’s activities pertaining to satellite communications, and also manages the spectrum allocation and licensing process. The FCC recently expanded the use of the 3.7 to 4.2 gigahertz (“GHz”) spectrum band, which has historically been reserved for aviation, to support the implementation of “5G” cellular networks across the U.S. In December 2021, following concerns of potential interference with aircraft radio altimeters by the expanded use of the 3.7 to 4.2 GHz spectrum band, the FAA issued airworthiness directives prohibiting U.S. aircraft operators from operating at U.S. airports affected by 5G cellular networks without radio altimeter retrofits or other enhancements unless authorized via an alternative means of compliance. FedEx Express’s U.S. air operations continued to operate with minimal interruption due to the FAA’s issuance of alternative means of compliance while the company modified its fleet to comply with the directives. In June 2022, the FAA announced its expectation that U.S. aircraft operators have radio altimeter retrofits or other enhancements in place by July 2023. As of July 1, 2023, FedEx Express’s U.S. air operations are in compliance with the airworthiness directives, and we do not expect any subsequent operational disruptions from “5G” cellular network implementation.

Environmental.

Noise: Pursuant to the Federal Aviation Act, the FAA, with the assistance of the U.S. Environmental Protection Agency (“EPA”), is authorized to establish standards governing aircraft noise. FedEx Express’s aircraft fleet is in compliance with current noise standards of the federal aviation regulations. In addition to federal regulation of aircraft noise, certain airport operators have local noise regulations, which limit aircraft operations by type of aircraft and time of day. These regulations have had a restrictive effect on FedEx Express’s aircraft operations in some of the localities where they apply but do not have a material effect in any of FedEx Express’s significant markets. Congress’s passage of the Airport Noise and Capacity Act of 1990 established a National Noise Policy, which enabled FedEx Express to plan for noise reduction and better respond to local noise constraints. FedEx Express’s international operations are also subject to noise regulations in certain of the countries in which it operates.

Greenhouse Gas Emissions: Concern over climate change, including the effect of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit GHG emissions, including our aircraft and vehicle engine emissions. Increasingly, state and local governments are also considering GHG regulatory requirements. Compliance with such regulation and the associated potential cost is complicated by the fact that various countries and regions are following different approaches to the regulation of climate change. In 2016, the International Civil Aviation Organization (“ICAO”) formally adopted a global, market-based emissions offset program known as the Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”). This program established a goal for the aviation industry to achieve carbon neutral growth in international aviation beginning in calendar 2021. Any growth above a global industry emissions baseline would need to be addressed using either eligible carbon offset credits or qualifying sustainable aviation fuel purchases. The baseline was originally set as an average of calendar 2019 and calendar 2020 emissions. In 2023, due to the effects of COVID-19 on the airline industry, the ICAO adopted a new baseline of 85% of calendar 2019 emissions. To date, however, while the U.S. Congress is considering proposals to afford the DOT and FAA full authority to implement the market-based measures of CORSIA, the U.S. has not fully implemented CORSIA. In the interim, we continue to voluntarily report our emissions data to the FAA.

Other ICAO member states are moving forward with implementing CORSIA, and have taken additional action to reduce aircraft GHG emissions. For example, both the EU and the United Kingdom have implemented regulations to include aviation in the Emissions Trading Scheme (“ETS”). For the EU, under these regulations any airline with flights originating or landing in the European Economic Area (“EEA”) is subject to the ETS. Beginning in calendar 2012, airlines including FedEx were required to purchase emissions allowances or, alternatively, purchase qualifying sustainable aviation fuel if they exceeded the number of free allowances allocated under the ETS. While the current scope of ETS has been limited to apply only to flights within the EEA through calendar 2026, the EU adopted legislation in 2023 requiring that a study be conducted in July 2026 reassessing whether the European Commission should propose to expand the scope of ETS to include international flights from the EEA based on CORSIA implementation and performance.

We expect compliance with CORSIA and the ETS to increase FedEx operating expenses. The amount of such increase will ultimately depend on a number of factors, including the number of our flights subject to CORSIA and the ETS, the fuel efficiency of our fleet, the average growth of the aviation sector, our ability to utilize sustainable aviation fuels in the future and the price of such fuels, and the price of eligible emission units, offsets, or allowances required to be purchased by FedEx.

Additionally, in 2017, ICAO adopted new carbon dioxide emissions standards that would apply not only to new aircraft types as of calendar 2020, but also to new deliveries of currently in-production aircraft types from calendar 2023. ICAO established a production cutoff date of January 1, 2028 for aircraft that do not comply with these standards. The standards are considered to be especially stringent for larger aircraft weighing over 60 tons. In 2021, the EPA adopted its own aircraft and aircraft engine GHG emissions standards, which are aligned with the 2017 ICAO emissions standards, and the FAA is advancing its own conforming rulemaking to implement the standards through its aircraft certification process. In the past, the U.S. Congress has also considered bills that would regulate GHG emissions, and some form of federal climate change legislation is possible in the future. In 2021 the U.S. reentered the Paris climate accord, an agreement among 197 countries to reduce GHG emissions. The effect of the reentry on future U.S. policy regarding GHG emissions and on other GHG regulation is uncertain. Additionally, the extent to which other countries implement that agreement could have an adverse direct or indirect effect on our business.

Hazardous Substances: In calendar 2022, the EPA proposed regulations to categorize certain per- and polyfluoroalkyl substances (“PFAS”) as “hazardous substances” under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). Numerous U.S. states, including California, have adopted additional regulations governing these substances. PFAS are used in a wide variety of consumer and industrial products, including the firefighting foams approved for use by the FAA to extinguish fuel-based fires at airports and refineries. The EPA’s proposed rule, once finalized, could subject airports, airlines, and refineries to potential liability for cleanup of historical PFAS contamination. We could incur remediation costs for currently and formerly operated facilities. While the impact of this rulemaking on our business and results of operations cannot currently be predicted, we remain committed to transitioning to PFAS-free materials for fire suppression in accordance with the framework outlined by the FAA in May 2023.

We are also subject to international, federal, state, and local environmental laws and regulations relating to, among other things, the shipment of dangerous goods and contingency planning for spills of petroleum products. Additionally, we are subject to numerous regulations dealing with underground fuel storage tanks, hazardous waste handling, vehicle and equipment emissions and noise, and the discharge of effluents from our properties and equipment. FedEx Express has an environmental management system based on International Standardization 14001 designed to maintain compliance with these regulations and minimize our operational environmental footprint, and certified all U.S. airport locations in 2022.

Export Controls. In recent years, the U.S. government has increased the number of companies and persons subject to U.S. export control regulations. Such regulations can restrict the types of items that FedEx customers are permitted to ship to certain entities, and in some instances may prohibit FedEx from serving certain entities altogether. Violations of these regulations can result in significant monetary and other penalties. For example, the Export Control Reform Act of 2018 (the “ECRA”) and its implementing regulations, the Export Administration Regulations (the “EARs”), hold carriers such as FedEx strictly liable for shipments that may violate the EARs without requiring evidence that the carriers had knowledge of any violations. Violations of the ECRA can result in criminal penalties of up to \$1 million and civil penalties of \$305,000 (or twice the value of the transaction) per individual violation. FedEx is investing in improvements and updates to its export control compliance programs. However, the heightened focus on export controls by the U.S. government increases FedEx’s exposure to potential regulatory penalties and could result in higher compliance costs.

Customs. Our activities, including customs brokerage and freight forwarding, are subject to regulation by U.S. Customs and Border Protection and the TSA within the Department of Homeland Security (customs brokerage and security issues), the U.S. Federal Maritime Commission (ocean freight forwarding), and the DOT (air freight forwarding). Our offshore operations are subject to similar regulation by the regulatory authorities of foreign jurisdictions.

Labor. All U.S. employees at FedEx Express are covered by the Railway Labor Act of 1926, as amended (the “RLA”), while labor relations within the U.S. at our other companies are governed by the National Labor Relations Act of 1935, as amended (the “NLRA”). Under the RLA, groups that wish to unionize must do so across nationwide classes of employees. The RLA also requires mandatory government-led mediation of contract disputes supervised by the NMB before a union can strike or an employer can replace employees or impose contract terms. This part of the RLA helps minimize the risk of strikes that would shut down large portions of the economy. Under the NLRA, employees can unionize in small localized groups, and government-led mediation is not a required step in the negotiation process.

The RLA was originally passed to govern railroad and express carrier labor negotiations. As transportation systems evolved, the law expanded to cover airlines, which are now the dominant national transportation systems. As an air express carrier with an integrated air/ground network, FedEx Express and its employees have been covered by the RLA since the founding of the company. The purpose of the RLA is to offer employees a process by which to unionize (if they choose) and engage in collective bargaining while also protecting global commerce from damaging work stoppages and delays. Specifically, the RLA ensures that an entire transportation system, such as at FedEx Express, cannot be shut down by the actions of a local segment of the network.

The U.S. Congress has, in the past, considered adopting changes in labor laws that would make it easier for unions to organize units of our employees. For example, there is always a possibility that Congress could remove most FedEx Express employees from the jurisdiction of the RLA, thereby exposing the FedEx Express network to sporadic labor disputes and the risk that small groups of employees could disrupt the entire air/ground network. This jurisdiction could be challenged in connection with our one FedEx consolidation plan. In addition, federal and state governmental agencies, such as the NMB and the National Labor Relations Board (“NLRB”), have and may continue to take actions that could make it easier for our employees, and employees of service providers contracting with FedEx Ground, to organize under the RLA or NLRA. For a description of these and other potential labor law changes, see “Item 1A. Risk Factors” of this Annual Report.

Data Protection. There has recently been heightened regulatory and enforcement focus relating to the collection, use, retention, transfer, and processing of personal data in the U.S. (at both the state and federal level) and internationally. For more information regarding data protection regulation, see “Item 1A. Risk Factors” of this Annual Report.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Annual Report, you should carefully consider the following factors, which could materially affect our business, results of operations, financial condition, and the price of our common stock. Additional risks not currently known to us or that we currently deem to be immaterial also may materially affect our business, results of operations, financial condition, and the price of our common stock.

Macroeconomic and Market Risks

We are directly affected by the state of the global economy and geopolitical developments. While macroeconomic risks apply to most companies, we are particularly vulnerable. The transportation industry is highly cyclical and especially susceptible to trends in economic activity. Our primary business is to transport goods, so our business levels are directly tied to the purchase and production of goods and the rate of growth of global trade — key macroeconomic measurements influenced by, among other things, inflation and deflation, supply chain disruptions, interest rates and currency exchange rates, labor costs and unemployment levels, fuel and energy prices, public health crises, inventory levels, buying patterns and disposable income, debt levels, and credit availability. When individuals and companies purchase and produce fewer goods, we transport fewer goods, and as companies move manufacturing closer to consumer markets and expand the number of distribution centers, we transport goods shorter distances, which adversely affects our yields and profitability. Certain manufacturers and retailers are making investments to produce and house goods in closer proximity to supply chains and consumers in connection with recent macroeconomic, geopolitical, and public health developments. Additionally, consumer spending has shifted from goods to services, and in 2023 we saw a customer preference for slower, less costly shipping services. We expect these trends to continue. Further, the scale of our operations and our relatively high fixed-cost structure, particularly at FedEx Express, make it difficult to quickly adjust to match shifting volume levels, which negatively affected our results of operations in 2023. For more information, see “Our businesses are capital intensive, and we must make capital decisions based upon projected volume levels.” below.

Our results in 2023 were adversely impacted by lower global volumes due to weak economic conditions. We are experiencing a decline in demand for our transportation services as inflation and interest rate increases are negatively affecting consumer and business spending. Additionally, we are experiencing higher costs to serve through higher fuel prices, wage rates, purchased transportation costs, and other direct operating expenses such as operational supplies. During 2024, we expect macroeconomic conditions to continue to negatively affect customer demand for our services. See Item 7. “Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for additional information.

Moreover, given the nature of our business and our global operations, political, economic, and other conditions in foreign countries and regions, including international taxes, government-to-government relations, the typically more volatile economies of emerging markets, and geopolitical risks such as the ongoing conflict between Russia and Ukraine, may adversely affect our business and results of operations. We have suspended all services in Ukraine and Belarus. We also temporarily idled our operations in Russia and reduced our presence to the minimum required for purposes of maintaining a legal presence with active transport licenses. While we do not expect this conflict to have a direct material effect on our business or results of operations, the broader consequences of this conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; airspace bans relating to certain routes, or strategic decisions to alter certain routes; potential retaliatory action by the Russian government against us as a result of our idling of operations in Russia, including nationalization of foreign businesses in Russia; increased tensions between the United States and countries in which we operate; and the extent of the conflict’s effect on our business and results of operations as well as the global economy, cannot be predicted.

To the extent the current conflict between Russia and Ukraine, or subsequent similar conflicts between or among other nations, adversely affects our business, it may also have the effect of heightening many other risks disclosed in this Annual Report, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, disruptions to our global technology infrastructure, including through cyberattack or cyber-intrusion, ransomware attack, or malware attack; adverse changes in international trade policies; our ability to maintain or increase our prices, including our fuel surcharges in response to rising fuel costs; our ability to implement and execute our business strategy, particularly with regard to our FedEx Express international business; disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs and could affect our ability to achieve our goal of carbon neutrality for our global operations by calendar 2040; our ability to maintain our strong reputation and the value of the FedEx brand; terrorist activities targeting transportation infrastructure; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets. Geopolitical uncertainty negatively affected operations at FedEx Express in recent years.

Additional changes in international trade policies and relations could significantly reduce the volume of goods transported globally and adversely affect our business and results of operations. The U.S. government has taken certain actions that have negatively affected U.S. trade, including imposing tariffs on certain goods imported into the U.S. Additionally, several foreign governments have imposed tariffs on certain goods imported from the U.S. These actions contributed to weakness in the global economy that adversely affected our results of operations in recent years. Any further changes in U.S. or international trade policy, including tariffs, export controls, quotas, embargoes, or sanctions, could trigger additional retaliatory actions by affected countries, resulting in “trade wars” and further increased costs for goods transported globally, which may reduce customer demand for these products if the parties having to pay tariffs or other anti-trade measures increase their prices, or in trading partners limiting their trade with countries that impose such measures. Political uncertainty surrounding international trade and other disputes could also have a negative effect on business and consumer confidence and spending. Such conditions could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock.

Additionally, the U.S. government has taken action to limit the ability of domestic companies to engage in commerce with certain foreign entities under certain circumstances, and foreign governments may investigate our compliance with these restrictions. Furthermore, given the nature of our business and our global recognizability, foreign governments may target FedEx by limiting the ability of foreign entities to do business with us in certain instances, imposing monetary or other penalties or taking other retaliatory action, which could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock.

Our transportation businesses are affected by the price and availability of jet and vehicle fuel. We must purchase large quantities of fuel to operate our aircraft and vehicles, and the price and availability of fuel is beyond our control and can be highly volatile. In addition, our purchased transportation expense is affected by fuel costs. To date, we have been mostly successful in mitigating over time the expense effect of higher fuel costs through our indexed fuel surcharges, as the amount of the surcharges is closely linked to the market prices for fuel. If we are unable to maintain or increase our fuel surcharges because of competitive pricing pressures or some other reason, fuel costs could adversely affect our operating results. See “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information. As of May 31, 2023, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

Even if we are able to offset the cost of fuel with our surcharges, high fuel surcharges could move our customers away from our higher-yielding express services to our lower-yielding deferred or ground services or even reduce customer demand for our services altogether. In addition, disruptions in the supply of fuel could have a negative effect on our ability to operate our transportation networks. The following factors may affect fuel supply and could result in shortages and price increases in the future: weather-related events; natural disasters; political disruptions or wars involving oil-producing countries; economic sanctions imposed against oil-producing countries or specific industry participants; changes in governmental policy concerning fuel production, transportation, taxes, or marketing; changes in refining capacity; environmental concerns; cyberattacks; and public and investor sentiment. Several of these factors combined to constrain fuel supply in 2023, and we expect such conditions to continue to be present in 2024.

Operating Risks

The failure to successfully execute our DRIVE transformation program, including Network 2.0, and our one FedEx consolidation plan in the expected time frame and at the expected cost may adversely affect our future results. In the first quarter of fiscal 2023, FedEx announced our DRIVE transformation program to improve long-term profitability, including Network 2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada. In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation. See “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information. These entities currently operate as separate and independent businesses and networks. There can be no assurances that these businesses and networks can successfully be consolidated and fully integrated as planned. It is possible that the consolidation and integration process could result in higher than currently expected costs, less-than-expected savings, the loss of customers, the disruption of ongoing businesses, union organizing, litigation, the loss of key FedEx employees or service providers, or other unexpected issues. It is also possible that the overall process will take longer than currently anticipated. Additionally, the following issues, among others, must be addressed in order to realize the anticipated timing and projected benefits of our DRIVE transformation and one FedEx consolidation plan:

- combining the physical networks and operations of FedEx Express and FedEx Ground, including consolidating the companies’ linehaul and pickup-and-delivery operations, and corporate functions;
- our ability to maintain coverage of U.S. employees at FedEx Express under the RLA and manage challenges to the employment status of drivers employed by service providers engaged by FedEx Ground, in addition to other labor-related risks;

- integrating, consolidating, and implementing new administrative and back-office support functions, information-technology infrastructure, and computer systems of the respective companies;
- integrating and restructuring the corporate entities;
- integrating and unifying the offerings and services available to historical FedEx Express and FedEx Ground customers;
- harmonizing the companies' operating practices, employee development and compensation programs, internal controls, and other policies, procedures, and processes;
- maintaining existing agreements with customers and service providers and avoiding delays in entering into new agreements with prospective customers and service providers;
- legal challenges by FedEx Ground service providers or government agencies seeking to slow or stop plans related to Network 2.0 or our one FedEx consolidation;
- addressing possible differences in business backgrounds, corporate cultures, and management philosophies;
- addressing employee issues so as to promote retention and maintain efficient and effective labor and employee relations;
- maintaining access to ports of call and railroads for intermodal support;
- managing the movement of certain positions to different locations;
- obtaining any required regulatory licenses, operating authority, or contractual consents; and
- managing unforeseen increased expenses or delays associated with the consolidation and integration process.

We may not be able to achieve the expected operational efficiencies and network flexibility, alignment of our cost base with demand, cost savings and reductions to our permanent cost structure, and other benefits from our DRIVE transformation and one FedEx consolidation plan. The actual amount and timing of costs to be incurred and related cost savings and reductions to our permanent cost structure resulting from these initiatives and enhancements may differ from our current expectations and estimates. These initiatives and enhancements could also result in asset impairment charges and changes to our tax liabilities and deferred tax balances. If we are not able to successfully implement our DRIVE transformation and one FedEx consolidation plan, our future financial results will suffer and we may not be able to achieve our financial performance goals.

All of these factors could adversely affect FedEx's results of operations and negatively affect the price of our common stock. In addition, at times the attention of certain members of our management may be focused on the DRIVE transformation and one FedEx consolidation plan and diverted from day-to-day business operations, which may disrupt our business.

A significant data breach or other disruption to our technology infrastructure could disrupt our operations and result in the loss of critical confidential information, adversely affecting our reputation, business, or results of operations. Our ability to attract and retain customers, efficiently operate our businesses, execute our DRIVE transformation and one FedEx consolidation plan, and compete effectively depends in part upon the sophistication, security, and reliability of our technology network, including our ability to provide features of service that are important to our customers, to protect our confidential business information and the information provided by our customers, and to maintain customer confidence in our ability to protect our systems and to provide services consistent with their expectations. For example, we rely on information technology to receive package-level information in advance of physical receipt of packages, to track items that move through our delivery systems, to efficiently plan deliveries, to clear shipments through customs, to execute billing processes, and to track and report financial and operational data. We are subject to risks imposed by data breaches and operational disruptions, including through cyberattack or cyber-intrusion, ransomware attack, or malware attack by computer hackers, foreign governments and state-sponsored actors, cyber terrorists and activists, cyber criminals, malicious employees or other insiders of FedEx or third-party service providers, and other groups and individuals. Data breaches and other technology disruptions of companies and governments continue to increase as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased and we, our customers, and third parties increasingly store and transmit data by means of connected information technology systems. Additionally, risks such as code anomalies, "Acts of God," transitional challenges in migrating operating company functionality to our FedEx enterprise automation platforms, data leakage, cyber-fraud, and human error pose a direct threat to our products, services, systems, and data and could result in unauthorized or block legitimate access to sensitive or confidential data regarding our operations, customers, employees, and suppliers, including personal information.

The technology infrastructure of acquired businesses, as well as their practices related to the use and maintenance of data, could also present issues that we were not able to identify prior to the acquisition. For example, ShopRunner, which we acquired in 2021, collects and stores certain personal data of its merchants and their buyers, its partners, consumers with whom it has a direct relationship, and users of its applications. Additionally, it uses third-party service providers and subprocessors to help deliver services to merchants and their buyers. These service providers and subprocessors may store or access personal data, including payment information and/or other confidential information. The foregoing factors increase the risk of data incidents and the amount of potential exposure in the event of a data breach.

We also depend on and interact with the technology and systems of third parties, including our customers and third-party service providers such as cloud service providers and delivery services. Such third parties may host, process, or have access to information we maintain about our company, customers, employees, and vendors or operate systems that are critical to our business operations and services. Like us, these third parties are subject to risks imposed by data breaches, cyberattacks, and other events or actions that could damage, disrupt, or close down their networks or systems. We have security processes, protocols, and standards in place, including contractual provisions requiring such security measures, that are applicable to such third parties and are designed to protect information that is held by them, or to which they have access, as a result of their engagements with us. Nevertheless, a cyberattack could defeat one or more of such third parties' security measures, allowing an attacker to obtain information about our company, customers, employees, and vendors or disrupt our operations. These third parties may also experience operational disruptions or human error that could result in unauthorized access to sensitive or confidential data regarding our operations, customers, employees, and suppliers, including personal information.

A disruption to our complex, global technology infrastructure, including those affecting our computer systems and websites, could result in the loss of confidential business or customer information, require substantial repairs or replacements, resulting in significant costs, and lead to the temporary or permanent transfer by customers of some or all of their business to our competitors. The foregoing could harm our reputation and adversely affect our operations, customer service, and results of operations. Additionally, a security breach could require us to devote significant management resources to address the problems created. These types of adverse effects could also occur in the event the confidentiality, integrity, or availability of company and customer information was compromised due to a data loss by FedEx or a trusted third party. We or the third parties with which we share information may not discover any security breach and loss of information for a significant period of time after the security breach occurs.

We have invested and continue to invest in technology security initiatives, information-technology risk management, business continuity, and disaster recovery plans, including investments to retire and replace end-of-life systems. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more frequent, intense, and sophisticated. Despite our efforts, we are not fully insulated from data breaches, technology disruptions, data loss, and cyber-fraud, which could adversely affect our competitiveness and results of operations. See "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended May 31, 2021 for information regarding the 2017 NotPetya cyberattack at TNT Express and immaterial cyber incidents we experienced in 2017 and 2018. Additionally, we have experienced continual attempts by cyber criminals, some of which have been successful, to gain access to customer accounts for the purposes of fraudulently diverting and misappropriating items being transported in our network. None of these fraudulent cyber activities caused a material disruption to our systems or resulted in any material costs to FedEx.

While we have significant security processes and initiatives in place, we may be unable to detect or prevent a breach or disruption in the future. Additionally, while we have insurance coverage designed to address certain aspects of cyber risks in place, we cannot be certain that we will continue to be able to obtain excess insurance coverage in amounts we deem sufficient, our insurance carriers will pay on our insurance claims, or we will not experience a claim for which coverage is not provided. See "Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding data protection." below for additional information on risks related to legal and regulatory developments with respect to data protection. A significant number of our employees as well as customers and others with whom we do business continue to work remotely or in hybrid models, which may heighten these risks. These risks may also be heightened by our DRIVE transformation, including Network 2.0, and one FedEx consolidation plan.

We are self-insured for certain costs associated with our operations, and insurance and claims expenses could have a material adverse effect on us. We are self-insured up to certain limits that vary by operating company and type of risk for costs associated with workers' compensation claims, vehicle accidents, property and cargo loss, general business liabilities, and benefits paid under employee disability programs. Our self-insurance accruals are primarily based on estimated costs determined by actuarial methods. Estimated costs include consideration of a variety of factors and related assumptions such as the severity of claims, frequency and volume of claims, healthcare inflation, seasonality, and plan designs, which may be subject to a high degree of variability. However, the use of any estimation technique in this area is inherently sensitive given the magnitude of claims involved and the length of time until the ultimate cost is known, which may be several years. Material increases in the magnitude of claims, changes to healthcare costs, accident frequency and severity, insurance retention levels, judgment and settlement amounts, associated legal expenses, and other factors could result in unfavorable differences between actual self-insurance costs and our reserve estimates. As a result, our insurance and claims costs could continue to increase materially which could adversely affect our results of operations and financial condition. During 2023, higher self-insurance accruals negatively affected our results of operations. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" of this Annual Report for more information.

As a supplement to our self-insurance program, we maintain coverage with excess insurance carriers for potential losses that exceed the amounts we self-insure. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance, risk volatility, and premium expense. Although we believe our aggregate insurance limits should be sufficient to cover our historic claims amounts, the commercial trucking industry has experienced a wave of blockbuster or so-called "nuclear" verdicts, including some instances in which juries have awarded hundreds of millions of dollars to those injured in accidents and their families. See Note 9 of the unaudited condensed consolidated financial statements included in "Item 1. Financial Statements" of our Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2022 for information regarding the 2015 jury award of approximately \$160 million in compensatory damages in a lawsuit related to a vehicle accident involving a driver employed by a service provider engaged by FedEx Ground, subsequent court affirmation of the award in 2018 and 2022, and our pursuit of reimbursement from insurers of our payment of approximately \$210 million of pre- and post-judgment interest. Given this recent trend, it is possible that additional claims could exceed our aggregate coverage limits. If another claim were to exceed our aggregate insurance coverage, we would bear the excess in addition to our other self-insured amounts.

Given the current claims environment, the amount of coverage available from excess insurance carriers is decreasing, the premiums for this excess coverage are increasing significantly, and excess insurance carriers are challenging insurance claims more frequently. Accordingly, our excess insurance and claims expenses may continue to increase, or we could further increase our self-insured retention as policies are renewed or replaced. Our results of operations and financial condition could continue to be adversely affected if our costs or losses significantly exceed our aggregate coverage limits, we are unable to obtain excess insurance coverage in amounts we deem sufficient, our insurance carriers fail to pay on our insurance claims, or we experience a claim for which coverage is not provided.

The effects of a widespread outbreak of an illness or any other communicable disease or public health crisis on our business, results of operations, and financial condition are highly unpredictable. A widespread outbreak of an illness or any other communicable disease or public health crisis, including new variants of COVID-19, could have varying effects on the demand for our services, our business operations, and the global economy and supply chains. The extent of the effect of such an event on our business, results of operations, and financial condition, as well as the global economy, will be dictated by developments that cannot be predicted, such as its duration and spread; the success of efforts to contain it and treat its effects, such as travel bans and restrictions, quarantines, shelter-in-place orders, business and government shutdowns, and other restrictions; the possibility of additional subsequent widespread outbreaks and variant strains and the effect of actions taken in response; and the resulting effects on the economic conditions in the global markets in which we operate. We have now shifted to operating in a more stable post-COVID-19 environment with less restrictions, which resulted in consumers returning to near pre-pandemic shopping patterns during 2023.

Our business is labor and capital intensive in nature, which may require us to incur higher costs to operate our networks during such an event. If we are unable to remain agile and flex our networks to align with shipping volumes, customer needs, disrupted global supply chains and other network inefficiencies, market demands, and operating conditions, or are unable to continuously respond to evolving governmental policies, our business operations could be negatively affected, which could have a further adverse effect on our results of operations. Further, due to the size, scope, and geographically dispersed nature of our operations, the expenses we incur to protect the health and safety of our team members and customers may be higher than similar expenses incurred by companies in other industries.

To the extent a widespread outbreak of an illness or any other communicable disease or public health crisis adversely affects our business and financial results, it may also have the effect of heightening many other risks described in this section, any of which could materially and adversely affect our business, results of operations, and financial condition. Such risks include, but are not limited to, additional changes in the state of the global economy and international trade policies and relations; our ability to execute our DRIVE transformation and one FedEx consolidation plan, implement our business strategy, and effectively respond to changes in market dynamics and customer preferences; our strong reputation and the value of the FedEx brand; our ability to meet our labor and purchased transportation needs while controlling related costs; changes in the business and financial soundness of the USPS; our ability to achieve our goal of carbon neutrality for our global operations by calendar 2040; and the effect of litigation or claims from customers, team members, suppliers, regulators, or other third parties relating to the crisis or our actions in response.

See “Description of Business Segments — Trends Affecting Our Business” under “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report, as well as “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of our Annual Reports on Form 10-K for the years ended May 31, 2020, May 31, 2021, and May 31, 2022, for information regarding the COVID-19 pandemic and its effects on our business, results of operations, and financial condition.

The transportation infrastructure continues to be a target of terrorist activities. Because transportation assets continue to be a target of terrorist activities, governments around the world are adopting or are considering adopting stricter security requirements that will increase operating costs and potentially slow service for businesses, including those in the transportation industry. These security requirements are not static, but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations. For example, the TSA requires FedEx Express to comply with a Full All-Cargo Aircraft Operator Standard Security Plan, which contains evolving and strict security requirements. Additionally, the ICAO’s standard that previously allowed a member state to permit carriers and other entities to determine, without government oversight, which shippers and shipments are secure for purposes of putting those shipments on all-cargo aircraft was modified effective July 1, 2021. As a result, we are now required to undertake additional security measures for international outbound shipments. It is reasonably possible that these rules or other future security requirements could impose material costs on us or slow our service to our customers. The effects on our operations of avoiding areas of the world, including airspace, in which there are geopolitical conflicts and the targeting of aircraft by parties to those conflicts can also be significant. Moreover, a terrorist attack directed at FedEx or other aspects of the transportation infrastructure could disrupt our operations and adversely affect demand for our services.

Strategic Risks

Failure to successfully implement our business strategy and effectively respond to changes in market dynamics and customer preferences will cause our future financial results to suffer. We are making significant investments and other decisions in connection with our long-term business strategy, such as those related to our DRIVE transformation, including Network 2.0, and one FedEx consolidation plan. See “The failure to successfully execute our DRIVE transformation, including Network 2.0, and one FedEx consolidation plan in the expected time frame and at the expected cost may adversely affect our future results.” above and “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for additional information. Such initiatives and enhancements may require us to make significant capital expenditures or incur significant expenses. We have also incurred, and may continue to incur, increased operating expenses in connection with certain changes to our business strategy. We may not be able to derive the expected operational efficiencies and network flexibility, alignment of our cost base with demand, cost savings and reductions to our permanent cost structure, and other benefits from our strategic investments and other decisions.

Further, in developing our business strategy, we make certain assumptions including, but not limited to, those related to customer demand and the mix of services to be purchased by our customers, the future rate of e-commerce growth and inventory restocking, passenger airline cargo capacity, competition, and the global economy, and actual market, economic, and other conditions may be different from our assumptions. As technology, customer behavior, and market conditions continue to evolve, it is important that we maintain the relevance of our brand and service offerings to our customers. If we are not able to successfully implement our business strategy and effectively respond to changes in market dynamics and customer preferences, our future financial results will suffer. For additional discussion, see “Item 1. Business” of this Annual Report under the caption “Strategy.”

Our businesses are capital intensive, and we must make capital decisions based upon projected volume levels. We make significant investments in aircraft, package handling facilities, vehicles, technology, sort equipment, acquired companies, and other assets to support our transportation and business networks. The amount and timing of capital investments depend on various factors, including our anticipated volume growth. We must make commitments to purchase or modify aircraft years before the aircraft are actually needed. We must predict volume levels and fleet requirements and make commitments for aircraft based on those projections. Missing our projections could result in too much or too little capacity relative to our shipping volumes. Overcapacity could lead to below-market asset dispositions or write-downs, as well as negatively affect operating margins, and undercapacity could negatively affect service levels. Difficulties in quickly adjusting our operations and fixed-cost structure to match shifting volume levels, particularly at FedEx Express, negatively affected our results of operations in 2023. Additionally, see “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges” of this Annual Report for information regarding a noncash impairment charge recorded in the fourth quarter of 2023 in connection with our decision to permanently retire certain aircraft and related engines from service.

We depend on our strong reputation and the value of the FedEx brand. The FedEx brand name symbolizes high-quality service, reliability, and speed. FedEx is one of the most widely recognized, trusted, and respected brands in the world, and the FedEx brand is one of our most important and valuable assets. In addition, we have a strong reputation among customers, team members, and the general public for high standards of social and environmental responsibility and corporate governance and ethics. The FedEx brand name and our corporate reputation are powerful sales, marketing, and recruitment tools, and we devote significant resources to promoting and protecting them. Adverse publicity (whether or not justified) relating to activities by our team members or others with whom we do business, such as customer service mishaps, accidents, catastrophes, or incidents involving aircraft, vehicles, or facilities operated by us or our service providers; low safety or service levels; data breaches or technology infrastructure disruptions; noncompliance with laws and allegations or claims that result in litigation; the shipment of certain items pursuant to our obligation as a common carrier operating under federal law; labor relations and workforce reductions; our advertising campaigns, sponsorship arrangements, or marketing programs; our political activities and expenditures; our executive compensation practices; or use of artificial intelligence could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets such as Facebook, YouTube, Instagram, Twitter, and TikTok, adverse publicity can be disseminated quickly and broadly without context, making it increasingly difficult for us to effectively respond. Certain forms of technology also allow users to alter images, videos, and other information relating to FedEx and present the information in a false or misleading manner. Further, our actual or perceived position or lack of position on environmental, social, political, public policy, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with certain groups, including our customers, team members, governments, and regulatory bodies. Damage to our reputation and loss of brand equity could reduce demand for our services and/or create difficulties in retaining and recruiting employee talent, and thus have an adverse effect on our financial condition, liquidity, and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

Changes in the business or financial soundness of the USPS, including strategic changes to its operations to reduce its reliance on the air network of FedEx Express, are likely to have an adverse effect on our results of operations and financial condition. The USPS is the largest customer of FedEx Express, which provides domestic air transportation services for the USPS’s First Class Mail, Priority Mail Express, and Priority Mail and transportation and delivery for the USPS’s international delivery service. See “Item 1. Business” of this Annual Report under “FedEx Express Segment” for more information.

Pursuant to previously announced plans to restructure its operations, the USPS continues to implement strategic changes to its operations to reduce its reliance on the air network of FedEx Express, which negatively affected our results of operations in 2023. FedEx Express expects lower volumes from the USPS in 2024. Additional changes in the USPS’s business, including further structural changes to its operations, network, volume levels, service offerings, service commitments, or pricing, could have additional negative effects on our revenue, results of operations, and financial condition. Further, the USPS’s contract with FedEx Express for domestic services expires on September 29, 2024, and there is no assurance that the contract will be renewed on terms that are commercially acceptable to FedEx. Additionally, a decision by the USPS to terminate the contract early could negatively affect our profitability.

We face intense competition. The transportation and business services markets are both highly competitive and sensitive to price and service, especially in periods of little or no macroeconomic growth. Some of our competitors have more financial resources and competitive advantages than we do, appear willing to operate at little or no margin to gain market share, or they are owned, controlled, or subsidized by foreign governments, which enables them to raise capital more easily. We also compete with regional transportation providers that operate smaller and less capital-intensive transportation networks and startup companies that combine technology with flexible labor solutions such as crowdsourcing to focus on local market needs. In addition, some high-volume package shippers are developing and implementing in-house delivery capabilities and utilizing independent contractors for deliveries, which could in turn reduce our revenues and market share. For example, Amazon.com has established a network of hubs, aircraft, and vehicles and has expressed an intention to offer its internal delivery capabilities broadly to third parties. See “Item 1. Business” of this Annual Report for additional information.

We believe we compete effectively with these companies – for example, by providing more reliable service at compensatory prices. However, the existence of an irrational pricing environment could limit our ability not only to maintain or increase our prices (including our fuel surcharges in response to rising fuel costs), but also to maintain or grow our revenues and market share. While we believe we compete effectively through our current and planned service offerings, if our current competitors or potential future competitors offer a broader range of services or better service levels, more effectively bundle their services, or offer services at lower prices, it could impede our ability to maintain or grow our market share. Continued transportation industry consolidation may further increase competition. Moreover, if high-volume package shippers further develop or expand internal capabilities for the services we provide, it may reduce our revenue and could negatively affect our financial condition and results of operations. These effects could be exacerbated if high-volume package shippers offer such capabilities to third parties. News regarding such developments or expansions could also negatively affect the price of our common stock.

Additionally, advancements in technology, such as advanced safety systems; automated package sorting, handling, and delivery; autonomous delivery; third-party supply chain insight and management; artificial intelligence; vehicle platooning; alternative fuel vehicles; and digitization of freight services, may necessitate that we increase investments in order to remain competitive, and our customers may not be willing to accept higher rates to cover the cost of these investments.

Our inability to execute and effectively operate, integrate, leverage, and grow acquired businesses and realize the anticipated benefits of acquisitions, joint ventures, and strategic alliances and investments could materially adversely affect us. Our strategy for long-term growth, productivity, and profitability depends in part on our ability to make prudent strategic acquisitions and investments, form joint ventures or strategic alliances, and realize the expected benefits from these transactions. We regularly acquire businesses, enter into strategic alliances, and make investments across the more than 220 countries and territories in which we provide services.

Acquisitions and other strategic transactions involve special commercial, customer, accounting, regulatory, compliance, information technology, human resources, cultural, and other risks, including the potential assumption of unanticipated liabilities and contingencies. Additionally, we may be required to make significant capital expenditures and/or incur certain operating expenses following the completion of certain transactions, which may be higher than initially expected. For example, existing and future customer data in the systems and business of FedEx and ShopRunner may not be ultimately interoperable, or may not be interoperable without significant added expense.

While we expect our past and future acquisitions and strategic transactions to enhance our value proposition to customers and improve our business and long-term profitability, there can be no assurance that we will realize our expectations within the time frame we have established, if at all, or that we can continue to support the value we allocate to acquired businesses, including their goodwill or other intangible assets. We have previously incurred goodwill impairment charges related to certain of our acquisitions, some of which have been material, and may incur additional goodwill impairment charges in the future. See “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges” of this Annual Report for information regarding a noncash impairment charge recorded in the fourth quarter of 2023 related to the ShopRunner acquisition.

Human Resource Management Risks

Our failure to attract and retain employee talent, meet our purchased transportation needs, or maintain our company culture, as well as increases in labor and purchased transportation costs, could adversely affect our business and results of operations. Our success depends upon the efforts and abilities of our high-quality employees, many of whom are longstanding FedEx team members. Difficulties in motivating, rewarding, recruiting, and retaining employee talent, including successors to members of senior management; the unexpected loss of such individuals resulting in the depletion of our institutional knowledge base; and/or our inability to successfully transition key roles could have an adverse effect on our business, results of operations, reputation, and the price of our common stock. We also regularly seek to hire a large number of part-time and seasonal workers, and FedEx Ground utilizes contracted service providers to conduct its linehaul and pickup-and-delivery operations.

Certain positions at FedEx have historically experienced high turnover rates, which can lead to increased recruiting, training, and retention costs. Additionally, our company culture is important to providing high-quality customer service and having a productive workforce and could be adversely affected by our growing operations and other factors. If we fail to maintain the strength of our company culture, our competitive ability and our business may be harmed.

Our business is labor intensive in nature, and our ability to meet our labor and purchased transportation needs while controlling related costs is generally subject to numerous external factors, including the availability of qualified service providers and persons in the markets where we and our contracted service providers operate and unemployment levels within these markets, prevailing and competitive wage rates and other benefits, health and other insurance costs, inflation, fuel and energy prices and availability, behavioral changes, adoption of new or revised employment and labor laws and regulations (including increased minimum wage requirements) or government programs, safety levels of our operations, our reputation within the labor and transportation markets, changes in the business or financial soundness of service providers, interest in contracting with FedEx, the effect of a widespread public health crisis, the availability of child care, and vaccine mandates that may be announced in jurisdictions in which our businesses and service providers operate. Additionally, certain service providers (acting collectively or in coordination in some instances) may seek to increase financial rates or modify contract terms and may refuse to provide service to FedEx in connection with such initiatives.

Our inability to effectively meet our labor and purchased transportation needs can increase our costs, hinder our ability to execute our business strategy, negatively affect service levels, and adversely affect our business and results of operations. Certain of these risks may be heightened by our DRIVE transformation, including Network 2.0, and one FedEx consolidation plan.

Labor organizations attempt to organize groups of our employees from time to time, and potential changes in labor laws could make it easier for them to do so. If we are unable to maintain positive relationships with our employees and to avoid having labor organizations organize groups of our employees, our operating costs could significantly increase and our operational flexibility could be significantly reduced. Despite continual organizing attempts by labor unions, other than the pilots at FedEx Express and drivers at one FedEx Freight facility, our U.S. employees have thus far chosen not to unionize (we acquired FedEx Supply Chain in 2015, which already had a small number of employees who are members of unions). Additionally, certain of FedEx Express's non-U.S. employees are unionized. For information regarding the tentative successor agreement FedEx Express reached with the union representing the pilots of FedEx Express in May 2023, see "Item 1. Business" of this Annual Report under the caption "FedEx Express Segment — FedEx Express — Employees."

Labor unions have recently attempted to organize employees at businesses and in industries that have not traditionally been unionized, and in certain instances have been successful. Such attempts could continue in 2024. Additionally, the U.S. Congress has, in the past, considered adopting changes in labor laws that would make it easier for unions to organize units of our employees. For example, there is always a possibility that Congress could remove most FedEx Express employees from the jurisdiction of the RLA. Additionally, this jurisdiction could be challenged in connection with our one FedEx consolidation plan. For additional discussion of the RLA, see "Item 1. Business" of this Annual Report under the caption "Regulation." Such legislation or challenge could expose our customers to the type of service disruptions that the RLA was designed to prevent — local work stoppages in key areas that interrupt the timely flow of shipments of time-sensitive, high-value goods throughout our global network. Such disruptions could threaten our ability to provide competitively priced shipping options and ready access to global markets.

There is also the possibility that Congress could pass other labor legislation that could adversely affect our companies, such as FedEx Ground and FedEx Freight, whose employees are governed by the NLRA. In addition, federal and state governmental agencies, such as the NMB and the NLRB, have and may continue to take actions that could make it easier for our employees, as well as our vendor and supplier workforces, to organize under the RLA or NLRA. Finally, changes to federal or state laws, regulations, rules, judicial or administrative precedent, or guidance governing employee classification could affect the status of FedEx Ground's service providers as independent employers of drivers. If FedEx Ground is deemed to be an employer or joint employer of the drivers of these service providers, labor organizations could more easily organize these individuals, our operating costs could increase materially, and we could incur significant capital outlays and experience adverse effects to service levels.

FedEx Ground contracts with service providers to conduct its linehaul and pickup-and-delivery operations, and the status of these service providers as direct and exclusive employers of drivers providing these services is being challenged. We are defending joint-employer cases where it is alleged that FedEx Ground should be treated as an employer or joint employer of the drivers employed by service providers engaged by FedEx Ground. We incur certain costs, including legal fees, in defending the status of service providers engaged by FedEx Ground as direct employers of their drivers. We continue to believe that FedEx Ground is not an employer or joint employer of the drivers of these independent businesses. However, adverse determinations in these matters or regulatory developments could, among other things, entitle service providers' drivers to certain wage payments and penalties from the service providers and FedEx Ground, and result in employment and withholding tax and benefit liability for FedEx Ground. The status of the drivers employed by these service providers could be further challenged in connection with our one FedEx consolidation plan.

Proposed pilot flight and duty time regulations could impair our operations and impose substantial costs on us. In 2010, the FAA proposed regulations that would change the flight and duty time rules applicable to all-cargo air carriers. When the FAA issued final regulations in 2011 (the "2011 regulations"), all-cargo carriers, including FedEx Express, were exempt from these new requirements. Instead, all-cargo carriers were required to continue complying with previously enacted flight and duty time rules and allowed to pursue the development of fatigue risk management systems to develop fatigue mitigations unique to each operation. In 2012, the FAA reaffirmed the exclusion of all-cargo carriers from the 2011 regulations, and litigation in the U.S. Court of Appeals for the District of Columbia affirmed the FAA's decision. However, this issue remains a policy priority for certain labor groups, and the U.S. Congress periodically considers legislation that, if adopted, would require all-cargo carriers to comply with the 2011 regulations. Required compliance with the 2011 regulations would make it more difficult to avoid pilot fatigue and could impose substantial costs on us in order to maintain operational reliability.

Increasing costs, the volatility of costs and funding requirements, and other legal mandates for employee benefits, especially pension and healthcare benefits, could adversely affect our results of operations, financial condition, and liquidity. We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans, and postretirement healthcare plans. The costs of providing pension and other retirement benefit plans are dependent on numerous assumptions, such as discount rates, expected long-term investment returns on plan assets, future salary increases, employee turnover, mortality, and retirement ages. Changes in actuarial assumptions and differences between the assumptions and actual values, as well as significant declines in the value of investments that fund our pension and other postretirement plans, if not offset or mitigated by a decline in plan liabilities, could increase pension and other postretirement expense, and we could be required from time to time to fund the pension plans with significant amounts of cash. Such cash funding obligations could adversely affect our results of operations and liquidity. Additionally, the rules for pension and retirement benefit plan accounting are complex, involve numerous assumptions, and can produce volatility in our results of operations, financial condition, and liquidity. For example, our fourth quarter mark-to-market ("MTM") retirement plans accounting adjustment resulted in a pre-tax, noncash gain of \$650 million in 2023 (\$493 million, net of tax, or \$1.92 per diluted share) and a loss of \$1.6 billion in 2022 (\$1.2 billion, net of tax, or \$4.49 per diluted share). For additional information on our MTM retirement plans accounting adjustments, see "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations and Outlook—Consolidated Results—Retirement Plans MTM Adjustments" and Note 13 of the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

Environmental, Climate, and Weather Risks

We may be affected by global climate change or by legal, regulatory, or market responses to such change. Concern over climate change, including the effect of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit GHG emissions, including our aircraft and vehicle engine emissions. Increasingly, state and local governments are also considering GHG regulatory requirements. Compliance with such regulation and the associated potential cost is complicated by the fact that various countries and regions are following different approaches to the regulation of climate change. Increased regulation regarding GHG emissions, especially aircraft or vehicle engine emissions, could impose substantial costs on us, especially at FedEx Express. These costs include an increase in the cost of the fuel and other energy we purchase and capital and impairment costs associated with updating or replacing our aircraft or vehicles prematurely. Until the timing, scope, and extent of such possible regulation becomes known, we cannot predict its effect on our cost structure or our operating results. It is reasonably possible, however, that it could materially increase our operating expenses and have an adverse direct or indirect effect on our business, if instituted. For additional discussion of regulatory responses to climate change, including CORSIA and the Paris climate accord, see “Item 1. Business” of this Annual Report under the caption “Regulation.” We may also incur additional expenses as a result of U.S. and international regulators requiring additional disclosures regarding GHG emissions.

Moreover, even without such regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air express services. Finally, given the broad and global scope of our operations and our susceptibility to global macroeconomic trends, we are particularly vulnerable to the physical risks of climate change that could affect all of humankind, such as shifts in weather patterns and world ecosystems.

We may be unable to achieve or demonstrate progress on our goal of carbon neutrality for our global operations by calendar 2040.

In 2021, we announced a goal to achieve carbon neutrality for our global operations by calendar 2040. Achievement of this goal depends on our execution of operational strategies relating to vehicle electrification; sustainable fuels; aircraft fuel conservation and fleet modernization; facilities; and sustainable customer solutions.

Execution of these strategies, as well as demonstrable progress on and achievement of our calendar 2040 goal, is subject to risks and uncertainties, many of which are outside of our control. These risks and uncertainties include, but are not limited to: our ability to successfully implement our business strategy, effectively respond to changes in market dynamics and achieve the anticipated benefits and associated cost savings of such strategies and actions; the availability and cost of, and our ability to acquire, alternative fuel vehicles, alternative fuels, fuel-efficient aircraft, global electrical charging infrastructure, off-site renewable energy, and other materials and components, many of which are not presently in existence or available at scale; unforeseen production, design, operational, and technological difficulties; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis such as carbon sequestration and/or other related processes; compliance with, and changes or additions to, global and regional regulations, taxes, charges, mandates, or requirements relating to GHG emissions, carbon costs, or climate-related goals; labor-related regulations and requirements that restrict or prohibit our ability to impose requirements on third parties who provide contracted transportation for our transportation networks; the availability of incentives to enhance the production and affordability of alternative fuel vehicles, alternative fuels, global electrical charging infrastructure, and other materials and components; adapting products to customer preferences and customer acceptance of sustainable supply chain solutions and potentially increased prices for our services; and the actions of competitors and competitive pressures.

There is no assurance that we will be able to successfully execute our strategies and achieve or demonstrate progress on our calendar 2040 goal of carbon neutrality for our global operations. Additionally, we may determine that it is in our best interests to prioritize other business, social, governance, or sustainable investments and/or initiatives (including our DRIVE transformation program, including Network 2.0, and one FedEx consolidation plan) over the achievement of our calendar 2040 goal based on economic, regulatory, or social factors, business strategy, or other reasons. Failure to achieve or demonstrate progress on our calendar 2040 goal could damage our reputation and customer and other stakeholder relationships. Further, given investors’ and banks’ increased focus related to ESG matters, such a failure could cause large stockholders to reduce their ownership of FedEx common stock and limit our access to financing. Such conditions could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock.

Our inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography could adversely affect our business and results of operations. While we operate several integrated networks with assets distributed throughout the world, there are concentrations of key assets within our networks that are exposed to adverse weather conditions or localized risks from natural or manmade disasters such as earthquakes, volcanoes, wildfires, hurricanes, tornadoes, floods, severe winter weather, conflicts or unrest, terrorist attacks, or other disturbances, actual or threatened. Additionally, shifts in weather patterns caused by climate change could increase the frequency, severity, or duration of certain adverse weather conditions. Prolonged interruptions or disruptions at a key location such as our FedEx Express Memphis World Hub or one of our information-technology centers could adversely affect our business and results of operations. We also may incur significant costs to reestablish or relocate these functions. Moreover, resulting economic dislocations, including supply chain and fuel disruptions, could adversely affect demand for our services resulting in an adverse effect on our business and results of operations.

Other Legal, Regulatory, and Miscellaneous Risks

Government regulation and enforcement are evolving and unfavorable changes could harm our business. We are subject to regulation under a wide variety of U.S. federal, state, and local and non-U.S. government regulations, laws, policies, and actions. There can be no assurance that such regulations, laws, policies, and actions will not be changed in ways that will decrease the demand for our services, subject us to escalating costs, or require us to modify our business models and objectives (such as our DRIVE transformation program, including Network 2.0, and one FedEx consolidation plan), harming our financial results. In particular, legislative, regulatory, or other actions that U.S. and non-U.S. governments have undertaken or could take in areas such as data privacy and sovereignty, the use of new technology, taxes, foreign exchange intervention in response to currency volatility, currency controls that could restrict the movement of liquidity from particular jurisdictions, trade controls, tariffs, quotas, embargoes, or sanctions in the U.S. or other countries, complex economic sanctions, import and export controls, customs standards, additional security or workplace and transportation health and safety requirements, labor and employment standards (including with respect to our pilots), worker classification, joint employment and benefits, government contracting, regulated commodities, environmental or emission standards, and accounting may have an adverse effect on our results of operations, financial condition, capital requirements, effective tax rate, and service levels. For additional discussion, see “Item 1. Business” of this Annual Report under the caption “Regulation.” Additionally, the current U.S. presidential administration and various U.S. federal and state regulatory bodies have indicated a desire to reform various aspects of existing laws, regulations, and enforcement priorities and strategies that could, among other things, lead to comprehensive tax reform, broadly increase the U.S. minimum wage, make it easier for unions to organize our U.S. employees or the employees of our service providers, and alter the employment relationship between service providers engaged by FedEx Ground and the drivers employed by those service providers.

We could be subject to adverse changes in regulations and interpretations or challenges to our tax positions. We are subject to taxation in the U.S. and numerous foreign jurisdictions. From time to time, changes in tax laws or regulations may be enacted that could significantly affect our overall tax liabilities and our effective tax rate. U.S. and foreign governmental agencies maintain focus on the taxation of multinational companies, including statutory tax rates, global minimum taxes (such as the framework agreed to by members of the Organization for Economic Cooperation and Development in 2022), digital taxes, and transactions between affiliated companies. Such changes may require new and complex computations to be performed, significant judgments, estimates, and calculations to be made, and the preparation and analysis of information not previously relevant or regularly produced.

Standard-setting bodies could interpret or issue guidance on how provisions of certain tax laws and regulations will be applied or otherwise administered that is different from our interpretation, and we may be required to make adjustments to amounts that we have recorded that may adversely affect our results of operations and financial condition. See “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations and Outlook—Consolidated Results—Income Taxes” of this Annual Report for additional information regarding ongoing tax examinations and challenges. Additionally, see “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition—Critical Accounting Estimates—Income Taxes” of this Annual Report for information regarding estimates and potential adjustments related to our tax positions.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding data protection. There has recently been heightened regulatory and enforcement focus relating to the collection, use, retention, transfer, and processing of personal data in the U.S. (at both the state and federal level) and internationally, including the EU's General Data Protection Regulation, the California Privacy Rights Act, the Virginia Consumer Data Protection Act, and other similar laws that have been or will be enacted by other jurisdictions. In addition, China and certain other jurisdictions have enacted more stringent data localization requirements. An actual or alleged failure to comply with applicable U.S. or foreign data protection laws, regulations, or other data protection standards may expose us to litigation (including, in some instances, class action litigation), fines, sanctions, or other penalties, which could harm our reputation and adversely affect our business, results of operations, and financial condition. This regulatory environment is increasingly challenging, based on discretionary factors, and difficult to predict. Consequently, compliance with all applicable regulations in the various jurisdictions in which we do business may present material obligations and risks to our business, including significantly expanded compliance burdens, costs, and enforcement risks; require us to make extensive system or operational changes; or adversely affect the cost or attractiveness of the services we offer. All of these evolving compliance and operational requirements, as well as the uncertain interpretation and enforcement of laws, impose significant costs and regulatory risks that are likely to increase over time. Developing privacy legislation within the U.S. may also create limitations or added requirements on the use of personal data by FedEx Dataworks and the other FedEx operating companies.

The regulatory environment for global aviation or other transportation rights may affect our operations and increase our operating costs. Our extensive air network is critical to our success. Our right to serve foreign points is subject to the approval of the DOT and generally requires a bilateral agreement between the U.S. and foreign governments. In addition, we must obtain the permission of foreign governments to provide specific flights and services. Our operations outside of the U.S., such as FedEx Express's international domestic operations, are also subject to current and potential regulations, including certain postal regulations and licensing requirements, that restrict, make difficult, and sometimes prohibit, the ability of foreign-owned companies such as FedEx Express to compete effectively in parts of the international domestic transportation and logistics market. Regulatory or executive actions affecting global aviation or transportation rights or a failure to obtain or maintain aviation or other transportation rights in important international markets could impair our ability to operate our networks. Further, our ability to obtain or maintain aviation or other transportation rights internationally may be adversely affected by changes in international trade policies and relations.

We are subject to other extensive regulatory and legal compliance requirements that may result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures in order to comply. High-profile accidents, catastrophes, or incidents involving aircraft may trigger increased regulatory and legal compliance requirements. These requirements can be issued with little or no notice, or can otherwise affect our ability to efficiently or fully utilize our aircraft, and in some instances have resulted in the temporary grounding of aircraft types altogether. Further, our business may be adversely affected when government agencies and air traffic control and other systems they oversee cease to operate as expected, including due to partial shutdowns, sequestrations, or similar events. Lapses in government operations may result in, among other things, disruptions in the ability of government agencies to grant required regulatory approvals. For additional discussion, see "Item 1. Business" of this Annual Report under the caption "Regulation."

We are also subject to other risks and uncertainties, including:

- our ability to mitigate the technological, operational, legal and regulatory, and reputational risks related to autonomous technology and artificial intelligence;
- the increasing costs of compliance with federal, state, and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U.K. Bribery Act) and defending against inappropriate or unjustified enforcement or other actions by such agencies;
- changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Canadian dollar, Hong Kong dollar, Australian dollar, Japanese yen, and Mexican peso, which can affect our sales levels and foreign currency sales prices;
- loss or delay in the collection of accounts receivable;
- any liability resulting from and the costs of defending against class-action, derivative, and other litigation, such as wage-and-hour, joint employment, securities, vehicle accident, and discrimination and retaliation claims, claims related to our reporting and disclosure of climate change and other ESG topics, and any other legal or governmental proceedings, including the matters discussed in Note 18 of the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of this Annual Report;

- adverse rulings on appeals and in other future judicial decisions, subsequent adverse jury findings, and changes in judicial precedent;
- the sufficiency of insurance coverage we purchase;
- the effect of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information-technology redundancy and complexity throughout the organization;
- disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs;
- difficulties experienced by the companies with which we contract to fly smaller regional “feeder” aircraft in attracting and retaining pilots, which could cause a reduction of service offered to certain locations, service disruptions, increased costs of operations, and other difficulties;
- the United Kingdom’s exit from the EU (“Brexit”), including the economic, operational, regulatory, and financial effects of any post-Brexit trade deal between the United Kingdom and EU;
- governmental underinvestment in transportation infrastructure, which could increase our costs and adversely affect our service levels due to traffic congestion, prolonged closure of key thoroughfares, or sub-optimal routing of our vehicles and aircraft;
- stockholder activism, which could divert the attention of management and our board of directors from our business, hinder execution of our business strategy, give rise to perceived uncertainties as to our future, and cause the price of our common stock to fluctuate significantly;
- successful completion of our planned stock repurchases; and
- constraints, volatility, or disruption in the capital markets, our ability to maintain our current credit ratings, commercial paper ratings, and senior unsecured debt and pass-through certificate credit ratings, and our ability to meet credit agreement financial covenants.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

FedEx Express Segment

FedEx Express’s principal owned and leased properties include its aircraft, vehicles, major sorting and handling facilities, administration buildings, FedEx Drop Boxes, and data processing and telecommunications equipment.

Aircraft and Vehicles

As of May 31, 2023, FedEx Express's aircraft fleet consisted of the following:

Description	Owned	Leased	Total	Maximum Gross Structural Payload (Pounds per Aircraft)
Boeing B777F	50	3	53	233,300
Boeing MD11	41	5	46	192,600
Boeing 767F	128	—	128 ⁽¹⁾	127,100
Airbus A300-600	56	9	65	106,600
Boeing 757-200	115	—	115	63,000
ATR-72 600F	13	—	13 ⁽²⁾	19,290
ATR-72	19	—	19	17,970
ATR-42	18	—	18	12,070
Cessna 408	9	—	9	6,000
Cessna 208B	234	—	234	2,830
Total	683	17	700	

⁽¹⁾ Includes one aircraft not currently in operation and undergoing pre-service modifications.

⁽²⁾ Includes two aircraft not currently in operation and undergoing pre-service modifications.

During 2023, we retired our MD-10-30 fleet and accelerated the retirement of our MD-11 fleet to the end of 2028. See the “Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information on aircraft retirements during 2023.

As of May 31, 2023, FedEx Express operated more than 82,000 vehicles in its global network.

Aircraft Purchase Commitments

The following table is a summary of the number and type of aircraft we were committed to purchase as of May 31, 2023, with the year of expected delivery:

	Cessna SkyCourier 408	ATR 72-600F	B767F	B777F	Total
2024	15	10	14	4	43
2025	12	6	10	2	30
2026	14	1	—	—	15
2027	—	—	—	—	—
2028	—	—	—	—	—
Thereafter	—	—	—	—	—
Total	41	17	24	6	88

As of May 31, 2023, we had \$1.0 billion in deposits and progress payments on aircraft purchases and other planned aircraft-related transactions. See Note 17 of the accompanying consolidated financial statements for more information about our purchase commitments and options.

Sorting and Handling Facilities

At May 31, 2023, FedEx Express operated the following major sorting and handling facilities:

Location	Acres	Square Feet	Sorting Capacity (per hour) ⁽¹⁾	Lessor	Lease Expiration Calendar Year
Primary					
Memphis, Tennessee	916	3,671,859	484,000	Memphis-Shelby County Airport Authority	2036
National					
Indianapolis, Indiana ⁽²⁾	450	3,002,925	140,000	Indianapolis Airport Authority	2053
Miami, Florida ⁽³⁾	35	284,809	7,000	Aero Miami FX, LLC	2041
Regional					
Fort Worth, Texas	168	987,388	76,000	Fort Worth Alliance Airport Authority	2041
Newark, New Jersey	70	634,193	156,000	Port Authority of New York and New Jersey	2030
Oakland, California	75	587,700	63,000	Port of Oakland	2036
Greensboro, N. Carolina	165	595,000	23,000	Piedmont Triad Airport Authority	2031
Metropolitan					
Chicago, Illinois	54	481,350	24,000	City of Chicago	2028
Los Angeles, California	34	305,300	23,000	City of Los Angeles	2025 ⁽⁴⁾
International					
Anchorage, Alaska ⁽⁵⁾	64	375,300	25,000	State of Alaska, Department of Transportation and Public Facilities	2023
Paris, France ⁽⁶⁾	111	1,238,000	70,600	Aéroports de Paris	2048
Cologne, Germany ⁽⁶⁾	11	325,000	17,900	Cologne Bonn Airport	2040
Guangzhou, China ⁽⁷⁾	155	873,006	56,000	Guangdong Airport Management Corp.	2029
Osaka, Japan ⁽⁷⁾	17	425,206	9,000	Kansai Airports	2024
Liege, Belgium ⁽⁸⁾	23	659,354	15,600	Liege Airport	2036

⁽¹⁾ Documents and packages.

⁽²⁾ In addition to U.S. domestic express package and freight shipments, handles certain international express package and freight shipments to and from Europe.

⁽³⁾ Handles international express package and freight shipments to and from Latin America and the Caribbean.

⁽⁴⁾ Property is held under two separate leases — we are currently renewing the lease for the sorting and handling facility that expired in 2021 on a month-to-month basis while a new lease is being negotiated, and the lease for the ramp expansion expires in calendar 2025.

⁽⁵⁾ Handles international express package and freight shipments to and from Asia, Europe, and North America.

⁽⁶⁾ Handles intra-Europe express package and freight shipments, as well as international express package and freight shipments to and from Europe.

⁽⁷⁾ Handles intra-Asia express package and freight shipments, as well as international express package and freight shipments to and from Asia.

⁽⁸⁾ Handles intra-Europe express package and freight shipments.

FedEx Express's primary sorting facility, which serves as the center of its multiple hub-and-spoke system, is located at the Memphis International Airport. FedEx Express's facilities at the Memphis International Airport also include aircraft hangars, aircraft ramp areas, vehicle parking areas, flight training and fuel facilities, the FedEx Cold Chain Center, administrative offices, and warehouse space.

FedEx Express leases these facilities from the Memphis-Shelby County Airport Authority (the “Authority”). The lease obligates FedEx Express to maintain and insure the leased property and to pay all related taxes, assessments, and other charges. The lease is subordinate to, and FedEx Express’s rights thereunder could be affected by, any future lease or agreement between the Authority and the U.S. government.

FedEx Express has additional major international sorting-and-handling facilities located at Narita Airport in Tokyo and Stansted Airport outside London. FedEx Express also has a substantial presence at airports in Hong Kong, Taiwan, and Dubai. A central air hub near Liege, Belgium connects specific large European markets. In 2023, FedEx Express reopened and completed central European road hubs in Duiven, The Netherlands and Novara, Italy, respectively.

Administrative and Other Properties and Facilities

The World Headquarters of FedEx Express is located in southeastern Shelby County, Tennessee. FedEx Express international headquarters are located in Hoofddorp, The Netherlands. As of May 31, 2023, FedEx Express owned or leased approximately 650 facilities for city station operations in the U.S. In addition, over 1,100 city stations are owned or leased throughout FedEx Express’s international network. The majority of these leases are for terms of five to ten years. City stations serve as a sorting and distribution center for a particular city or region. We believe that suitable alternative facilities are available in each locale on satisfactory terms, if necessary.

As of May 31, 2023, FedEx Express had approximately 29,000 Drop Boxes. FedEx Express customers can also ship from over 45,000 staffed drop-off locations, including FedEx Office stores and FedEx Authorized ShipCenters. Internationally, FedEx Express had approximately 19,000 drop-off locations.

FedEx Ground Segment

FedEx Ground’s corporate headquarters are located in the Pittsburgh, Pennsylvania area. As of May 31, 2023, FedEx Ground owned or leased over 700 facilities, including more than 160 fully automated stations. In addition, more than 100,000 vehicles owned or leased by service providers support FedEx Ground’s business. Of the 606 facilities that supported FedEx Home Delivery as of May 31, 2023, 587 were co-located with existing FedEx Ground operations. Leased facilities generally have terms of five years or less. Strategically located to cover the geographic area served by FedEx Ground, the facilities range in size from approximately 1,000 to 1,060,000 square feet, with an average size of approximately 176,000 square feet. See “Item 1. Business” of this Annual Report under the caption “FedEx Ground Segment” for information regarding the rationalization of FedEx Ground’s operations in 2023 through sort consolidations and the cancellation of several planned network capacity projects.

FedEx Freight Segment

FedEx Freight’s corporate headquarters are located in Memphis, Tennessee, with some administrative offices in Harrison, Arkansas. As of May 31, 2023, FedEx Freight operated nearly 30,000 vehicles and approximately 390 service centers, which are strategically located to provide service throughout North America. These facilities range in size from approximately 1,000 to 280,000 square feet of office and dock space. FedEx Freight plans to close and consolidate approximately 30 locations in the first quarter of 2024.

FedEx Services Segment

FedEx Services’ corporate headquarters are located in Memphis, Tennessee. FedEx Services leases state-of-the-art technology centers in Collierville, Tennessee and Colorado Springs, Colorado. These facilities house personnel responsible for strategic software development and other functions that support FedEx’s technology and e-commerce solutions.

The FedEx Authorized ShipCenter program offers U.S. domestic and international FedEx Express and FedEx Ground shipping and drop-off services through a network of nearly 4,700 franchised and independent “pack and ship” retail locations. The FedEx OnSite network includes nearly 17,000 drop-off locations at Walgreens, Dollar General, and Albertsons stores. Additionally, FedEx Services has an agreement with Office Depot, Inc. to offer U.S. domestic and international FedEx Express and FedEx Ground shipping and drop-off services at nearly 1,000 Office Depot and OfficeMax retail locations.

FedEx Dataworks Operating Segment

FedEx Dataworks’ corporate headquarters are located in Memphis, Tennessee.

FedEx Office Operating Segment

FedEx Office's corporate headquarters are located in Plano, Texas. As of May 31, 2023, FedEx Office operated approximately 2,000 customer-facing stores and 18 manufacturing plants with expanded print capabilities (traditional electrophotography, digital and traditional offset, large and grand format, and dye sublimation printing), with 14 of the manufacturing plants also housing co-located signs and graphics production operations. Substantially all FedEx Office stores are leased, generally for terms of five to ten years with varying renewal options. FedEx Office operates approximately 200 stores at hotels, convention centers, hospitals, universities, and corporate campuses, with the remainder generally located in strip malls, office buildings, Walmart stores, and stand-alone structures. FedEx Office's customer-facing stores average approximately 3,200 square feet in size. During 2023 approximately 150 FedEx Office stores were closed.

FedEx Logistics Operating Segment

FedEx Logistics's corporate headquarters are located in Memphis, Tennessee. As of May 31, 2023, FedEx Trade Networks Transport & Brokerage operated approximately 122 offices and facilities in 33 countries and territories throughout North America and in Africa, Asia-Pacific, Europe, India, Latin America, the Middle East, and Australia/New Zealand. In addition, as of May 31, 2023, FedEx Supply Chain had approximately 82 facilities through which it operates its supply chain logistics services.

ITEM 3. LEGAL PROCEEDINGS

FedEx and its subsidiaries are subject to legal proceedings and claims that arise in the ordinary course of their business. See Note 18 of the accompanying consolidated financial statements, which is incorporated herein by reference, for a description of certain pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information regarding executive officers and persons chosen to become executive officers of FedEx is as follows:

Name and Office	Age	Positions and Offices Held and Business Experience
Frederick W. Smith Executive Chairman and Chairman of the Board	78	Executive Chairman of FedEx since June 2022 and Chairman of the Board since January 1998; Chief Executive Officer of FedEx from January 1998 to May 2022; President of FedEx from January 1998 to January 2017; Chairman of the Board, President and Chief Executive Officer of FedEx Express from April 1983 to January 1998; Chief Executive Officer of FedEx Express from 1977 to January 1998; President of FedEx Express from June 1971 to February 1975; and Chairman of FedEx Express from 1975 to May 2022.
Rajesh Subramaniam President and Chief Executive Officer and Director	57	President of FedEx since March 2019 and Chief Executive Officer of FedEx since June 2022; director of FedEx since January 2020; Chief Executive Officer—Elect of FedEx from March 2022 to May 2022; Chief Operating Officer of FedEx from March 2019 to March 2022; President and Chief Executive Officer of FedEx Express from January 2019 to March 2019; Executive Vice President — Chief Marketing and Communications Officer of FedEx from January 2017 to December 2018; Executive Vice President — Marketing & Communications of FedEx Services from 2013 to January 2017; Senior Vice President — Marketing of FedEx Services from 2006 to 2013; Senior Vice President — Canada of FedEx Express from 2003 to 2006; Vice President — Marketing/APAC of FedEx Express from 2000 to 2003; Vice President — APAC, EC & CS of FedEx Express from 1999 to 2000; and various management and marketing analyst positions at FedEx Express from 1991 to 1999. Mr. Subramaniam serves as a director of The Procter & Gamble Company, a consumer products company.
Mark R. Allen Executive Vice President, General Counsel and Secretary	67	Executive Vice President, General Counsel and Secretary of FedEx since October 2017; Executive Vice President, General Counsel—Select of FedEx from September 2017 to October 2017; Senior Vice President, Legal International of FedEx Express from July 2010 to September 2017; Vice President, Legal — Europe, Middle East, Africa and Indian Subcontinent Region of FedEx Express from October 2000 to July 2010; Vice President, Legal — Asia Pacific of FedEx Express from 1996 to October 2000; and various legal positions with FedEx Express from 1982 to 1996.
Tracy B. Brightman Executive Vice President — Chief People Officer	60	Executive Vice President — Chief People Officer of FedEx since June 16, 2023; Corporate Vice President — Chief People Officer of FedEx from November 2022 to June 2023; General Counsel & Senior Vice President — Legal and Human Resources of FedEx Office from October 2020 to November 2022; Senior Vice President — Human Resources and Communications of FedEx Office from April 2018 to October 2020; Senior Vice President — Human Resources of FedEx Office from July 2007 to March 2018; Vice President — Field Human Resources Operations of FedEx Office from January 2005 to June 2007; Vice President — Assistant General Counsel and Assistant Secretary of FedEx Office from April 2004 to January 2005; and Director, Litigation and Employment Counsel of FedEx Office from September 2002 to April 2004.
Brie A. Carere Executive Vice President — Chief Customer Officer	45	Executive Vice President — Chief Customer Officer of FedEx since June 2022; Executive Vice President — Chief Marketing and Communications Officer of FedEx from January 2019 to May 2022; Senior Vice President, Global Portfolio Marketing of FedEx Services from October 2016 to December 2018; Vice President, Marketing, Customer Experience and Corporate Communications for FedEx Express Canada from October 2010 to October 2016; and various positions in marketing, customer experience, and strategy with FedEx Express Canada from 2001 to October 2010. Ms. Carere serves as a director of ZipRecruiter, Inc., an online employment marketplace.

Robert B. Carter Executive Vice President — FedEx Information Services and Chief Information Officer	64 Executive Vice President — FedEx Information Services and Chief Information Officer of FedEx since January 2007; Executive Vice President and Chief Information Officer of FedEx from June 2000 to January 2007; Corporate Vice President and Chief Technology Officer of FedEx from February 1998 to June 2000; Vice President — Corporate Systems Development of FedEx Express from September 1993 to February 1998; and Managing Director — Systems Development of FedEx Express from April 1993 to September 1993. Mr. Carter serves as a director of New York Life Insurance Company, a mutual life insurance company.
John W. Dietrich Executive Vice President and Chief Financial Officer—Elect	58 Mr. Dietrich will succeed Mr. Lenz as Executive Vice President and Chief Financial Officer of FedEx effective August 1, 2023; Executive Vice President and Chief Financial Officer—Elect of FedEx from July 17, 2023 to July 31, 2023; President and Chief Executive Officer and a director of Atlas Air Worldwide Holdings, Inc. (“Atlas”), a global provider of outsourced aircraft and aviation operating services, from January 1, 2020 to June 15, 2023; President and Chief Operating Officer of Atlas from July 2019 to January 2020; Executive Vice President and Chief Operating Officer of Atlas from September 2006 to July 2019; and various senior executive positions at Atlas from March 2003 to September 2006, including Senior Vice President, General Counsel, Chief Human Resources Officer, Corporate Secretary, and head of Information Technology and Corporate Communications functions. Mr. Dietrich serves as a director of AAR Corp., a provider of products and services to the worldwide aviation and government and defense markets.
Sriram Krishnasamy Executive Vice President — Chief Transformation Officer and Chief Executive Officer — FedEx Dataworks	51 Executive Vice President — Chief Transformation Officer and Chief Executive Officer — FedEx Dataworks since August 2022; President and Chief Executive Officer, FedEx Dataworks at FedEx Services from November 2021 to July 2022; Senior Vice President — Strategic Programs of FedEx Services from February 2020 to October 2021; Senior Vice President — Global Portfolio Marketing from January 2019 to January 2020; Vice President — Marketing of FedEx Express from July 2017 to January 2019; Managing Director — Strategic Marketing of FedEx Express from July 2015 to July 2017; and various positions in marketing and finance with FedEx Express from September 1997 to June 2015.
Michael C. Lenz Executive Vice President and Chief Financial Officer	59 Executive Vice President and Chief Financial Officer of FedEx since September 2020; Executive Vice President and Chief Financial Officer—Elect of FedEx from June 2020 to September 2020; Corporate Vice President and Treasurer of FedEx from February 2012 to May 2020; Staff Vice President — Strategic Finance of FedEx from 2010 to February 2012; Vice President — Finance of FedEx Office from 2005 to 2010; and various positions in several finance and commercial areas including investor relations, financial planning and analysis, international planning, and fleet planning at American Airlines, Inc. from 1994 to 2005. Mr. Lenz will serve as Executive Vice President and Chief Financial Officer of FedEx through July 31, 2023, and remain at FedEx as a Senior Advisor until December 31, 2023.
John A. Smith President and Chief Executive Officer — U.S. and Canada Ground Operations, FedEx Express	61 President and Chief Executive Officer — U.S. and Canada Ground Operations of FedEx Express since April 16, 2023; President and Chief Executive Officer of FedEx Ground from June 2021 to April 2023; President and Chief Executive Officer—Elect of FedEx Ground from March 2021 to May 2021; President and Chief Executive Officer of FedEx Freight from August 2018 to February 2021; President and Chief Executive Officer—Select of FedEx Freight from May 2018 to August 2018; Senior Vice President — Operations of FedEx Freight from May 2015 to May 2018; Vice President — Safety, Fleet Maintenance and Facilities Services of FedEx Freight from June 2011 to May 2015; Vice President — Operations of FedEx National LTL, Inc. from April 2010 to June 2011; Vice President — Transportation/Fleet Maintenance of FedEx National LTL, Inc. from March 2008 to April 2010; and various management positions at FedEx Freight from 2000 to 2008.

Richard W. Smith
President and Chief Executive Officer —
Airline and International, FedEx Express

45 President and Chief Executive Officer — Airline and International of FedEx Express since April 16, 2023; President and Chief Executive Officer of FedEx Express from September 2022 to April 2023; President and Chief Executive Officer—Elect of FedEx Express from April 2022 to August 2022; Regional President, The Americas and Executive Vice President, Global Support of FedEx Express from 2020 to March 2022; Regional President, U.S. and Executive Vice President, Global Support of FedEx Express from 2019 to 2020; President and Chief Executive Officer of FedEx Logistics from July 2017 to 2019; Senior Vice President, Global Trade and Specialty Services of FedEx Express from March 2017 to June 2017; Vice President, Global Trade Services of FedEx Express from 2014 to 2017; Managing Director, Life Sciences and Specialty Services/U.S./International of FedEx Express from 2009 to 2014; and various positions with FedEx from 2005 to 2009.

Executive officers are elected by, and serve at the discretion of, the Board of Directors. There is no arrangement or understanding between any executive officer or person chosen to become an executive officer and any person, other than a director or executive officer of FedEx or of any of its subsidiaries acting solely in his or her official capacity, pursuant to which any executive officer or person chosen to become an executive officer was selected. Richard W. Smith is the son of Frederick W. Smith. There are no other family relationships between any executive officer and any other executive officer or director of FedEx, or any person nominated or chosen to become a director or executive officer.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

FedEx’s common stock is listed on the New York Stock Exchange under the symbol “FDX.” As of July 13, 2023, there were 12,405 holders of record of our common stock.

We expect to continue to pay regular quarterly cash dividends, though each quarterly dividend payment is subject to review and approval by our Board of Directors. We evaluate our dividend payment amount on an annual basis. There are no material restrictions on our ability to declare dividends, nor are there any material restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances.

On December 16, 2021, we announced a stock repurchase program approved by our Board of Directors, through which we are authorized to purchase, in the open market or in privately negotiated transactions, up to \$5 billion of FedEx common stock. As of July 13, 2023, approximately \$2.1 billion remains available to be used for repurchases under the December 2021 stock repurchase program, which is the only such program that currently exists. The program does not have an expiration date and may be suspended or discontinued at any time.

We did not repurchase any shares of FedEx common stock during the fourth quarter of 2023.

See “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” and Note 1 of the consolidated financial statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report for additional information regarding our stock repurchases during 2023 and planned stock repurchases during 2024.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ORGANIZATION OF INFORMATION

This Management’s Discussion and Analysis of Results of Operations and Financial Condition (“MD&A”) of FedEx Corporation (“FedEx” or the “Company”) is composed of three major sections: Results of Operations and Outlook, Financial Condition, and Critical Accounting Estimates. These sections include the following information:

- Results of operations includes an overview of our consolidated 2023 results compared to 2022 results. This section also includes a discussion of key actions and events that impacted our results, as well as our outlook for 2024. Discussion and analysis of 2021 results and year-over-year comparisons between 2022 results and 2021 results can be found in “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of our Annual Report on Form 10-K (“Annual Report”) for the year ended May 31, 2022.

- The overview is followed by a discussion of both historical operating results and our outlook for 2024, as well as a financial summary and analysis for each of our transportation segments.
- Our financial condition is reviewed through an analysis of key elements of our liquidity and capital resources, financial commitments, and liquidity outlook for 2024.
- Critical accounting estimates discusses those financial statement elements that we believe are most important to understanding the material judgments and assumptions incorporated in our financial results.

The discussion in MD&A should be read in conjunction with the other sections of this Annual Report, particularly “Item 1. Business,” “Item 1A. Risk Factors,” and “Item 8. Financial Statements and Supplementary Data.”

DESCRIPTION OF BUSINESS SEGMENTS

We provide a broad portfolio of transportation, e-commerce, and business services through companies competing collectively, operating collaboratively, and innovating digitally as one FedEx. Our primary operating companies are Federal Express Corporation (“FedEx Express”), the world’s largest express transportation company; FedEx Ground Package System, Inc. (“FedEx Ground”), a leading North American provider of small-package ground delivery services; and FedEx Freight Corporation (“FedEx Freight”), a leading North American provider of less-than-truckload (“LTL”) freight transportation services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. (“FedEx Services”), constitute our reportable segments. Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our operating segments. The operating costs of the FedEx Services segment are allocated to the business units it serves. See “Reportable Segments” for further discussion and refer to “Item 1. Business” for a more detailed description of each of our operating companies and information regarding our “one FedEx” consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation.

The key indicators necessary to understand our operating results include:

- the overall customer demand for our various services based on macroeconomic factors and the global economy;
- the volumes of transportation services provided through our networks, primarily measured by our average daily volume and shipment weight and size;
- the mix of services purchased by our customers;
- the prices we obtain for our services, primarily measured by yield (revenue per package or pound or revenue per shipment or hundredweight for LTL freight shipments);
- our ability to manage our cost structure (capital expenditures and operating expenses) to match shifting volume levels; and
- the timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges.

Trends Affecting Our Business

The following trends significantly impact the indicators discussed above, as well as our business and operating results. See the risk factors identified under Part I, Item 1A. “Risk Factors” for more information. Additionally, see “Results of Operations and Outlook – Consolidated Results – Outlook” and “Results of Operations and Outlook – Financial Condition – Liquidity Outlook” below for additional information on efforts we are taking to mitigate adverse trends.

Macroeconomic Conditions

While macroeconomic risks apply to most companies, we are particularly vulnerable. The transportation industry is highly cyclical and especially susceptible to trends in economic activity. Our primary business is to transport goods, so our business levels are directly tied to the purchase and production of goods and the rate of growth of global trade. Our results in 2023 were adversely impacted by lower global volumes due to weak economic conditions.

COVID-19 Pandemic and Supply Chain

The coronavirus (“COVID-19”) pandemic had varying impacts on the demand for our services and our business operations and has contributed to global supply chain disruptions. During the first half of 2023, we continued to be affected by COVID-19 lockdowns in Asia, which impacted both manufacturing and supply chains. We have now shifted to operating in a more stable post-COVID-19

environment with less restrictions, which resulted in consumers returning to near pre-pandemic shopping patterns during 2023. As global supply chains stabilized during 2023, we experienced improvements in the availability of labor and vehicles, trailers, and other package handling equipment.

Inflation and Interest Rates

Global inflation is well above historical levels, impacting all areas of our business. Additionally, global interest rates continue to rise in an effort to curb inflation. We are experiencing a decline in demand for our transportation services as inflation and interest rate increases are negatively affecting consumer and business spending. Additionally, we are experiencing higher costs to serve through higher fuel prices, wage rates, purchased transportation costs, and other direct operating expenses such as operational supplies. We expect inflation and high interest rates to continue to negatively affect our results in 2024.

Fuel

We must purchase large quantities of fuel to operate our aircraft and vehicles, and the price and availability of fuel is beyond our control and can be highly volatile. The timing and amount of fluctuations in fuel prices and our ability to recover incremental fuel costs through our fuel surcharges can significantly affect our operating results either positively or negatively in the short-term. Higher fuel prices drove an increase in yields through higher fuel surcharges and an increase in fuel expense during 2023 at all of our transportation segments.

Geopolitical Conflicts

Given the nature of our business and our global operations, geopolitical conflicts may adversely affect our business and results of operations. The conflict between Russia and Ukraine that began in February 2022 continues as of the date of this Annual Report. The safety of our team members in Ukraine is our top priority. As we focus on the safety of our team members, we have suspended all services in Ukraine and Belarus. We also temporarily idled our operations in Russia and reduced our presence to the minimum required for purposes of maintaining a legal presence with active transport licenses. As a result, we incurred an immaterial amount of severance and other related expenses in 2023, which is included in business optimization expenses at FedEx Express. While we do not expect this conflict to have a direct material impact on our business or results of operations, the broader consequences are adversely affecting the global economy and fuel prices generally and may also have the effect of heightening other risks disclosed under Part I, Item 1A. “Risk Factors.” See “Results of Operations and Outlook – Consolidated Results – Business Optimization and Realignment Costs” below for additional information.

RESULTS OF OPERATIONS AND OUTLOOK

Many of our operating expenses are directly affected by revenue and volume levels, and we expect these operating expenses to fluctuate on a year-over-year basis consistent with changes in revenue and volumes. Therefore, the discussion of operating expense captions focuses on the key drivers and trends affecting expenses other than those factors strictly related to changes in revenue and volumes. The line item “Other operating expense” includes costs associated with outside service contracts (such as temporary labor, security, and facility services and cargo handling), insurance, professional fees, operational supplies, and bad debt.

Except as otherwise specified, references to years indicate our fiscal year ended May 31, 2023 or ended May 31 of the year referenced, and comparisons are to the corresponding period of the prior year. References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment, and the FedEx Freight segment.

CONSOLIDATED RESULTS

The following table compares summary operating results (dollars in millions, except per share amounts) for the years ended May 31:

	2023 ⁽¹⁾	2022 ⁽¹⁾	Percent Change
Consolidated revenue	\$ 90,155	\$ 93,512	(4)
Operating income (loss):			
FedEx Express segment	1,064	2,922	(64)
FedEx Ground segment	3,140	2,642	19
FedEx Freight segment	1,925	1,663	16
Corporate, other, and eliminations	(1,217)	(982)	(24)
Consolidated operating income	4,912	6,245	(21)
Operating margin:			
FedEx Express segment	2.5 %	6.4 %	(390) bp
FedEx Ground segment	9.4 %	8.0 %	140 bp
FedEx Freight segment	20.0 %	17.4 %	260 bp
Consolidated operating margin	5.4 %	6.7 %	(130) bp
Consolidated net income	\$ 3,972	\$ 3,826	4
Diluted earnings per share	\$ 15.48	\$ 14.33	8

The following table shows changes in revenue and operating results by reportable segment for 2023 compared to 2022 (in millions):

	Year-over-Year Changes	
	Revenue	Operating Results ⁽¹⁾
FedEx Express segment	\$ (3,071)	\$ (1,858)
FedEx Ground segment	275	498
FedEx Freight segment	100	262
FedEx Services segment	48	—
Corporate, other, and eliminations	(709)	(235)
	\$ (3,357)	\$ (1,333)

⁽¹⁾ The following is a summary of the effects of the (costs) benefits of certain items affecting our financial results for the years ended May 31 (in millions):

	2023	2022
Items affecting Operating Income:		
Business optimization and realignment costs	\$ (309)	\$ (278)
Goodwill and other asset impairment charges	(117)	—
FedEx Ground legal matters	(35)	(210)
TNT Express integration expenses	—	(132)
	\$ (461)	\$ (620)
Items affecting Net Income:		
Mark-to-market (“MTM”) retirement plans accounting adjustments, net of tax	\$ 493	\$ (1,199)
	\$ 493	\$ (1,199)

Overview

Our operating results for 2023 were negatively affected by macroeconomic conditions, including inflation well above historical levels, and elevated global interest rates. In response to market conditions, we implemented cost reductions and focused on yield improvement to partially mitigate the effect of volume declines. Cost reductions included reducing flight hours, temporarily parking and retiring aircraft, improving productivity, delaying and reducing certain peak wage programs, consolidating and closing sorts, canceling network capacity projects, and reducing select Sunday operations. The impact of cost actions lagged volume declines, particularly in the first half of 2023 and at FedEx Express, resulting in elevated operating expenses relative to demand. Additionally, our results in the first half of 2023 were negatively impacted by service challenges at FedEx Express.

Operating income in 2023 includes \$70 million (\$54 million, net of tax, or \$0.21 per diluted share) of asset impairment charges associated with the decision to permanently retire certain aircraft and related engines at FedEx Express, and also includes \$47 million (\$44 million, net of tax, or \$0.17 per diluted share) of goodwill and other asset impairment charges associated with the ShopRunner, Inc. (“ShopRunner”) acquisition at FedEx Dataworks, Inc. (“FedEx Dataworks”). See the “Goodwill and Other Asset Impairment Charges” section of this MD&A for more information.

Operating income in 2023 includes \$273 million (\$209 million, net of tax, or \$0.81 per diluted share) of expenses associated with our DRIVE business optimization strategy announced in the first quarter of 2023, and also includes business realignment costs of \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) associated with our workforce reduction plan in Europe announced in 2021. Operating income in 2022 includes \$278 million (\$214 million, net of tax, or \$0.80 per diluted share) of costs under this program. See the “Business Optimization and Realignment Costs” section of this MD&A for more information.

Operating income includes a \$35 million charge (\$26 million, net of tax, or \$0.10 per diluted share) in 2023 related to a FedEx Ground legal matter and a \$210 million charge (\$160 million, net of tax, or \$0.60 per diluted share) in 2022 related to pre- and post-judgment interest in connection with a separate FedEx Ground legal matter. The amounts are included in “Corporate, other, and eliminations.”

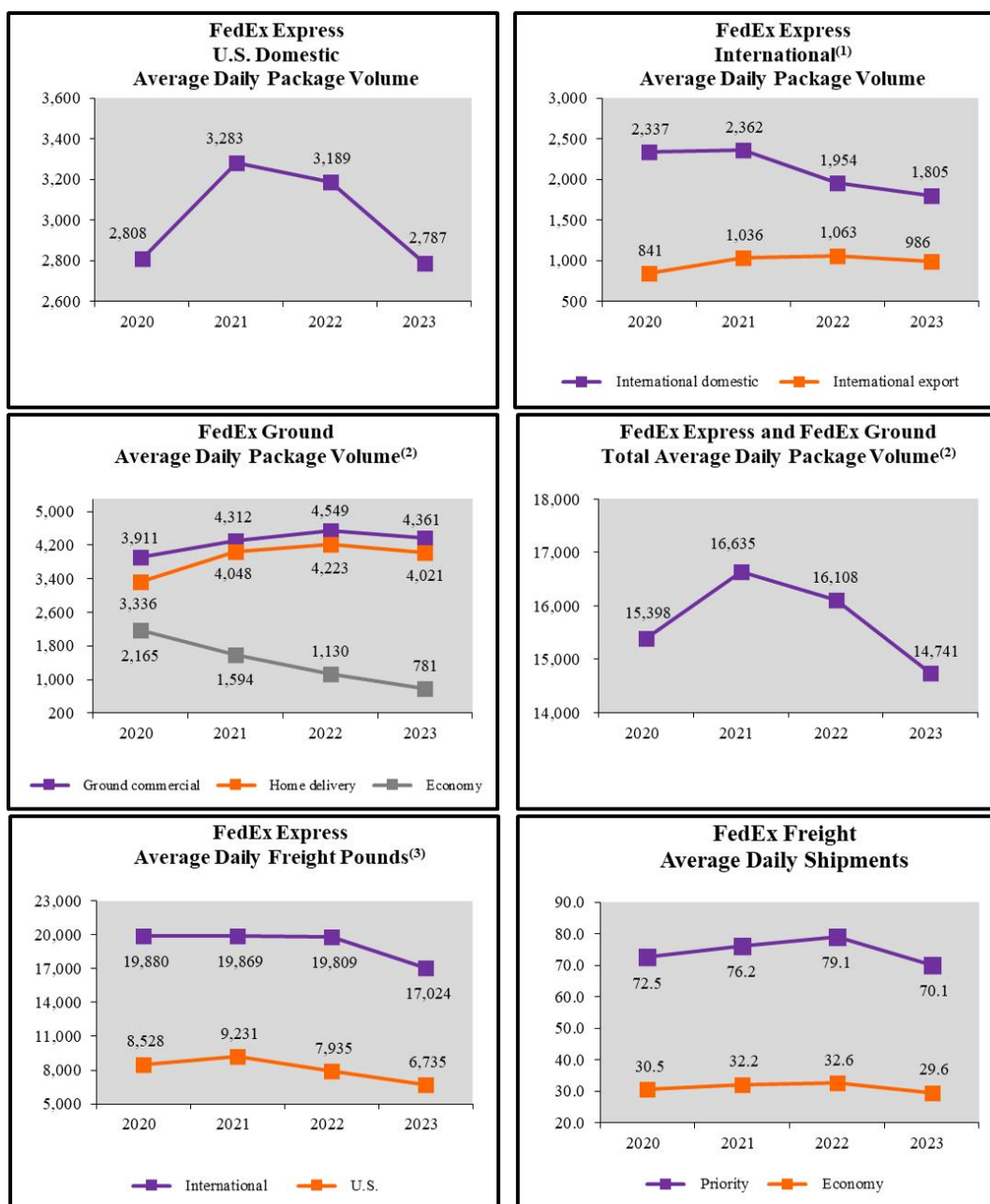
Operating expenses in 2022 include \$132 million (\$103 million, net of tax, or \$0.39 per diluted share) of TNT Express integration expenses.

Net income includes a pre-tax, noncash gain of \$650 million in 2023 (\$493 million, net of tax, or \$1.92 per diluted share) and a loss of \$1.6 billion in 2022 (\$1.2 billion, net of tax, or \$4.49 per diluted share) associated with our MTM retirement plans accounting adjustments. See the “Retirement Plans MTM Adjustments” section of this MD&A and Note 13 of the accompanying consolidated financial statements.

Net income in 2023 includes a \$46 million (\$0.18 per diluted share) tax expense from a revaluation of certain foreign tax assets. In 2022, we recognized a \$142 million (\$0.53 per diluted share) tax benefit related to revisions of prior-year tax estimates for actual tax return results. See the “Income Taxes” section of this MD&A and Note 12 of the accompanying consolidated financial statements.

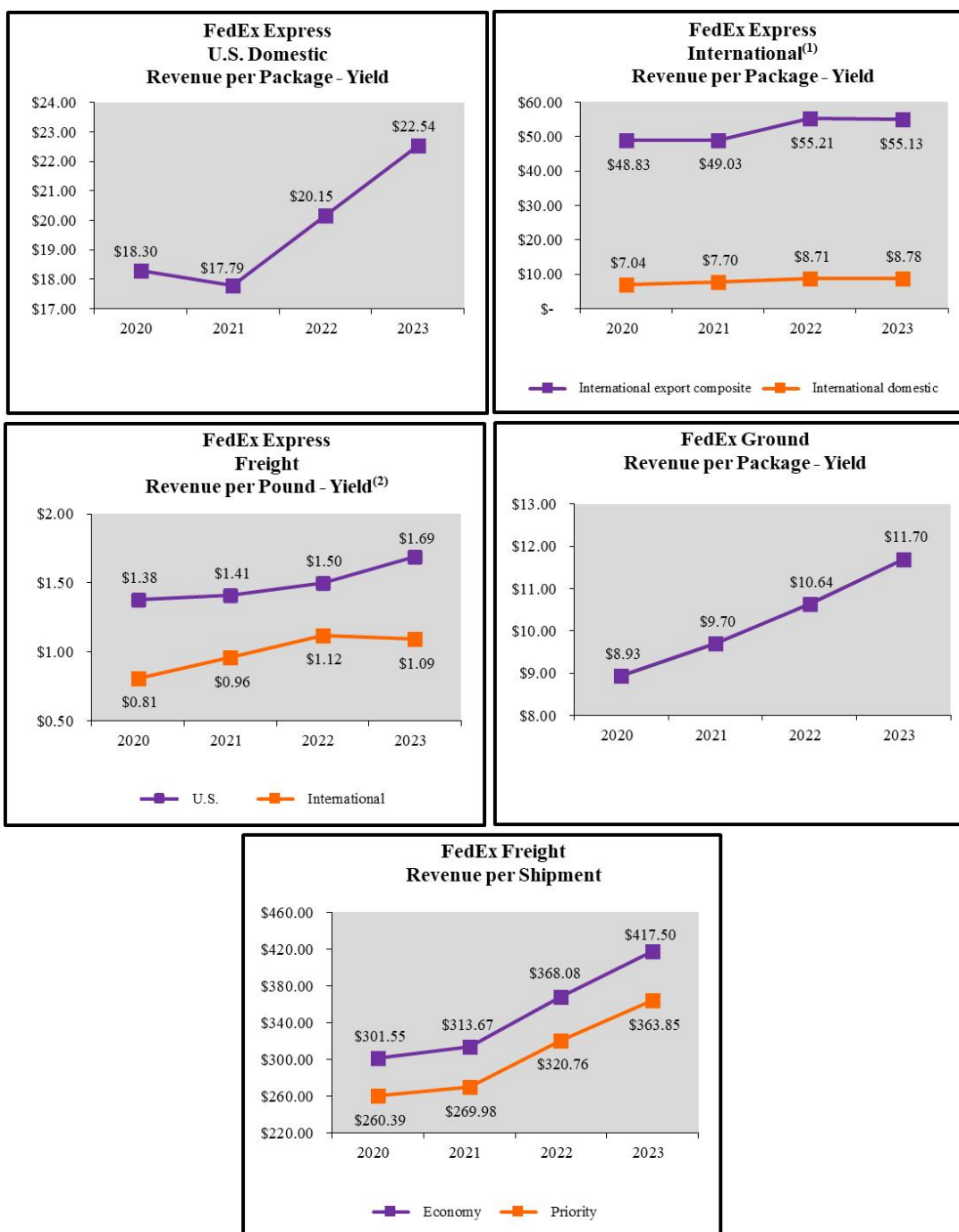
In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we entered into an accelerated share repurchase (“ASR”) agreement with a bank in October 2022, which was completed in December 2022, to repurchase an aggregate of \$1.5 billion of our common stock. Share repurchases had a benefit of \$0.34 per diluted share in 2023. See Note 1 of the accompanying consolidated financial statements and the “Financial Condition—Liquidity” section of this MD&A for additional information on our stock repurchase program.

The following graphs for FedEx Express, FedEx Ground, and FedEx Freight show selected volume trends (in thousands) for the years ended May 31:



- (1) International domestic average daily package volume relates to our international intra-country operations. International export average daily package volume relates to our international priority and economy services.
- (2) Ground commercial average daily volume is calculated on a 5-day-per-week basis, while home delivery and economy average daily package volumes are calculated on a 7-day-per-week basis. 2020 and 2021 statistical information has been revised to conform to the current year presentation.
- (3) International average daily freight pounds relate to our international priority, economy, and airfreight services.

The following graphs for FedEx Express, FedEx Ground, and FedEx Freight show selected yield trends for the years ended May 31:



⁽¹⁾ International export revenue per package relates to our international priority and economy services. International domestic revenue per package relates to our international intra-country operations.

⁽²⁾ International freight revenue per pound relates to our international priority, economy, and airfreight services.

Revenue

Revenue decreased 4% in 2023 primarily due to global volume declines at all of our transportation segments, partially offset by yield improvement, including higher fuel surcharges.

FedEx Express revenue decreased 7% in 2023 due to lower global volume and unfavorable foreign currency, partially offset by yield improvement, including higher fuel surcharges. Revenue at Corporate, other, and eliminations decreased due to lower yields and volumes at FedEx Trade Networks Transport & Brokerage, Inc. FedEx Ground revenue and FedEx Freight revenue each increased 1% in 2023, primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volume.

Goodwill and Other Asset Impairment Charges

In the fourth quarter of 2023, we made the decision to permanently retire from service 12 Boeing MD-11F aircraft and 25 related engines, four Boeing 757-200 aircraft and one related engine, and two Airbus A300-600 aircraft and eight related engines, to align with the plans of FedEx Express to modernize its aircraft fleet, improve its global network, and better align air network capacity to match current and anticipated shipment volumes. As a consequence of this decision, a noncash impairment charge of \$70 million (\$54 million, net of tax, or \$0.21 per diluted share) was recorded in the fourth quarter. All of these aircraft were temporarily idled and not in revenue service.

In the fourth quarter of 2023, we also recorded a noncash impairment charge of \$36 million (\$36 million, net of tax, or \$0.14 per diluted share) for all of the goodwill attributable to FedEx Dataworks. The key factors contributing to the goodwill impairment were underperformance of the ShopRunner business during 2023, including base business erosion, and the failure to attain the level of operating synergies and revenue and profit growth anticipated at the time of acquisition. Based on these factors, our outlook for the business changed in the fourth quarter of 2023. We also recorded an \$11 million (\$8 million, net of tax, or \$0.03 per diluted share) noncash intangible asset impairment charge related to the ShopRunner acquisition at FedEx Dataworks. For additional information regarding these impairment charges, see the “Critical Accounting Estimates” section of this MD&A and Note 4 of the accompanying consolidated financial statements.

Business Optimization and Realignment Costs

In the second quarter of 2023, FedEx announced DRIVE, a comprehensive program to improve the company’s long-term profitability. This program includes a business optimization plan to drive efficiency among our transportation segments and lower our overhead and support costs. We plan to consolidate our sortation facilities and equipment, reduce pickup-and-delivery routes, and optimize our enterprise linehaul network by moving beyond discrete collaboration to an end-to-end optimized network through Network 2.0.

In the fourth quarter of 2023, we announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network under the respected FedEx brand. FedEx Freight will continue to provide LTL freight transportation services as a stand-alone and separate company under Federal Express Corporation. The organizational redesign will be implemented in phases with full implementation expected in June 2024. One FedEx will help facilitate our DRIVE transformation program to improve long-term profitability.

We have announced the implementation of Network 2.0 in more than 20 markets, including the phased transition of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024. Under Network 2.0, FedEx will continue to utilize both employees and contracted service providers.

We incurred costs associated with our business optimization activities of \$273 million (\$209 million, net of tax, or \$0.81 per diluted share) in 2023. These costs were primarily related to consulting services, severance, professional fees, and idling our operations in Russia. These business optimization costs are included in Corporate, other, and eliminations and FedEx Express. The identification of these costs as business optimization-related expenditures is subject to our disclosure controls and procedures. We expect the pre-tax cost of our business optimization activities to be approximately \$500 million in 2024 and approximately \$2.0 billion through 2025. The timing and amount of our business optimization expenses may change as we revise and implement our plans.

In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affected approximately 5,000 employees in Europe across operational teams and back-office functions and was completed during 2023. We incurred costs of \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) in 2023 and \$278 million (\$214 million, net of tax, or \$0.80 per diluted share) in 2022 associated with our business realignment activities. These costs are related to certain employee severance arrangements. Payments under this program totaled approximately \$118 million in 2023 and approximately \$225 million in 2022. The pre-tax cost of our business realignment activities was approximately \$430 million through 2023. We expect savings from our business realignment activities to be approximately \$275 million on an annualized basis beginning in 2024.

Operating Expenses

The following table compares operating expenses expressed as dollar amounts (in millions) and as a percent of revenue for the years ended May 31:

	2023	2022 ⁽¹⁾	Percent Change	Percent of Revenue	
				2023	2022 ⁽¹⁾
Operating expenses:					
Salaries and employee benefits	\$ 31,019	\$ 32,058	(3)	34.4 %	34.3 %
Purchased transportation	21,790	24,118	(10)	24.2	25.8
Rentals and landing fees	4,738	4,712	1	5.3	5.0
Depreciation and amortization	4,176	3,970	5	4.6	4.2
Fuel	5,909	5,115	16	6.6	5.5
Maintenance and repairs	3,357	3,372	—	3.7	3.6
Goodwill and other asset impairment charges ⁽²⁾	117	—	NM	0.1	—
Business optimization and realignment costs ⁽³⁾	309	278	11	0.4	0.3
Other ⁽⁴⁾	13,828	13,644	1	15.3	14.6
Total operating expenses	85,243	87,267	(2)	94.6	93.3
Total operating income	\$ 4,912	\$ 6,245	(21)	5.4 %	6.7 %

(1) Includes TNT Express integration expenses of \$132 million in 2022.

(2) Includes goodwill and other asset impairment charges in 2023 associated with the FedEx Express and FedEx Dataworks operating segments.

(3) Includes costs associated with our DRIVE program in 2023 and the workforce reduction plan in Europe in 2023 and 2022.

(4) Includes a \$35 million charge in 2023 related to a FedEx Ground legal matter and a \$210 million charge in 2022 related to pre- and post-judgment interest in connection with a separate FedEx Ground legal matter.

Operating income declined in 2023 primarily due to lower volumes at each of our transportation segments, partially offset by yield improvement, including higher fuel surcharges. Cost reduction efforts such as reducing flight hours, temporarily parking and retiring aircraft, improving productivity, delaying and reducing certain peak wage programs, consolidating and closing sorts, canceling network capacity projects, and reducing select Sunday operations partially mitigated the effects of volume declines on our results.

Global inflation drove higher operating expenses related to salaries and employee benefits and other operating expenses in 2023. In addition, higher self-insurance and bad debt accruals contributed to an increase in other operating expense in 2023.

We recognized \$70 million of asset impairment charges associated with the decision to permanently retire certain aircraft and related engines at FedEx Express. Our 2023 results also include \$47 million of goodwill and other asset impairment charges in the fourth quarter of 2023 associated with the ShopRunner acquisition at FedEx Dataworks. For additional information regarding these impairment charges, see the “Goodwill and Other Asset Impairment Charges” and “Critical Accounting Estimates” sections of this MD&A and Note 4 of the accompanying consolidated financial statements.

Fuel

We apply a fuel surcharge on our air and ground services, most of which are adjusted on a weekly basis. The fuel surcharge is based on a weekly fuel price from ten days prior to the week in which it is assessed. Some FedEx Express international fuel surcharges are updated on a monthly basis. We routinely review our fuel surcharges and periodically update the tables used to determine our fuel surcharges at all of our transportation segments.

While fluctuations in fuel surcharge percentages can be significant from period to period, fuel surcharges represent one of the many individual components of our pricing structure that impact our overall revenue and yield. Additional components include the mix of services sold, the base price, and extra service charges we obtain for these services and level of pricing discounts offered.

Fuel expense increased 16% during 2023 due to higher fuel prices, partially offset by a decline in fuel usage. In addition to variability in usage and market prices, the manner in which we purchase fuel also influences our results. For example, our contracts for jet fuel purchases at FedEx Express are tied to various indices, including the U.S. Gulf Coast index. While many of these indices are aligned, each index may fluctuate at a different pace, driving variability in the prices paid for jet fuel. Furthermore, under these contractual arrangements, approximately 70% of our jet fuel is purchased based on the index price for the preceding week, with the remainder of our purchases tied primarily to the index price for the preceding month and preceding day, rather than based on daily spot rates. These contractual provisions mitigate the impact of rapidly changing daily spot rates on our jet fuel purchases.

Because of the factors described above, our operating results may be affected should the market price of fuel suddenly change by a significant amount or change by amounts that do not result in an adjustment in our fuel surcharges, which can significantly affect our earnings either positively or negatively in the short-term. For more information, see “Item 1A. Risk Factors.”

Other Income and Expense

Other retirement plans income (expense) increased primarily due to a noncash MTM gain of \$650 million in 2023 compared to a \$1.6 billion loss in 2022 (described below). In addition, interest income increased \$145 million in 2023 primarily due to an increase in interest rates, partially offset by a decrease in other income of \$120 million related to changes in the value of equity investments.

Retirement Plans MTM Adjustments

In 2023, we incurred a pre-tax, noncash MTM gain of \$650 million (\$493 million, net of tax, or \$1.92 per diluted share), related to the year-end actuarial adjustments of pension and postretirement healthcare plans’ assets and liabilities. These actuarial adjustments were due to higher discount rates, partially offset by lower than expected asset returns and demographic experience.

In 2022, we incurred a pre-tax, noncash MTM loss of \$1.6 billion (\$1.2 billion, net of tax, or \$4.49 per diluted share), which includes a net loss of \$1.3 billion (\$1.0 billion, net of tax, or \$3.76 per diluted share) related to the year-end actuarial adjustments of pension and postretirement healthcare plans’ assets and liabilities. These actuarial adjustments were due to lower than expected asset returns, demographic experience, and an update to the mortality assumption, partially offset by higher discount rates.

Additionally, in 2022, we incurred a pre-tax, noncash MTM net loss of \$260 million (\$195 million, net of tax, or \$0.73 per diluted share) in the second quarter of 2022, of which \$224 million was related to the termination of the TNT Express Netherlands Pension Plan. Effective October 1, 2021, the responsibility of all pension assets and liabilities of this plan was transferred to a separate, multi-employer pension plan. The remaining \$36 million net loss was related to the U.S. FedEx Freight Pension Plan and consisted of a \$75 million MTM loss due to a lower discount rate in the second quarter of 2022, partially offset by a \$39 million curtailment gain.

For more information, see the “Critical Accounting Estimates” section of this MD&A and Note 1 and Note 13 of the accompanying consolidated financial statements.

Income Taxes

Our effective tax rate was 25.9% for 2023, compared to 21.9% for 2022. The 2023 tax provision was negatively impacted by an expense of \$46 million related to a write-down and valuation allowance on certain foreign tax credit carryforwards due to operational changes which impacted the determination of the realizability of the deferred tax asset. The 2023 tax provision was also negatively impacted by lower earnings in certain non-U.S. jurisdictions.

The 2022 tax provision includes a benefit of \$142 million related to revisions of prior year tax estimates for actual tax return results. The 2022 tax provision was also favorably impacted by changes in our corporate legal entity structure.

We are subject to taxation in the U.S. and various U.S. state, local, and foreign jurisdictions. We are currently under examination by the Internal Revenue Service (“IRS”) for the 2016 through 2019 tax years. It is reasonably possible that certain income tax return proceedings will be completed during the next 12 months and could result in a change in our balance of unrecognized tax benefits. However, we believe we have recorded adequate amounts of tax, including interest and penalties, for any adjustments expected to occur.

During 2021, we filed suit in U.S. District Court for the Western District of Tennessee challenging the validity of a tax regulation related to the one-time transition tax on unrepatriated foreign earnings, which was enacted as part of the Tax Cuts and Jobs Act (“TCJA”). Our lawsuit seeks to have the court declare this regulation invalid and order the refund of overpayments of U.S. federal income taxes for 2018 and 2019 attributable to the denial of foreign tax credits under the regulation. We have recorded a cumulative benefit of \$223 million through 2023 attributable to our interpretation of the TCJA and the Internal Revenue Code. On March 31, 2023, the District Court ruled that the regulation is invalid and contradicts the plain terms of the tax code. We continue to work towards obtaining a final judgment for the applicable refund amounts due to the regulation being invalid. Once the District Court enters a final judgment, the U.S. government could file an appeal with the U.S. Court of Appeals for the Sixth Circuit. If we are ultimately unsuccessful in defending our position, we may be required to reverse the benefit previously recorded.

For more information on income taxes, see the “Critical Accounting Estimates” section of this MD&A and Note 12 of the accompanying consolidated financial statements.

Equity Investment

As of May 31, 2023, we do not have any equity investments that are material to our financial position or results of operations. For more information on equity investments, see Note 1 of the accompanying consolidated financial statements.

Outlook

During 2024, we expect macroeconomic conditions to continue to negatively impact customer demand for our services. However, we expect operating income improvement in 2024 as a result of our DRIVE program initiatives focused on aligning our cost base with demand, reducing our permanent cost structure, and increasing the flexibility of our network. We expect international export yield declines and reduced customer demand for our U.S. freight product at FedEx Express to negatively impact revenue and operating income in 2024. In addition, we expect expense headwinds in 2024 related to higher global inflation and variable incentive compensation.

See the “Business Optimization and Realignment Costs” section of this MD&A for additional information on our DRIVE program and other cost savings initiatives.

Our capital expenditures for 2024 are expected to be approximately \$5.7 billion, a decrease of \$0.5 billion from 2023, as we continue to reduce our capital intensity relative to revenue. We expect lower aircraft spend and reduced capacity investment to be partially offset by investments to optimize our networks and modernize our facilities. Our expected capital expenditures for 2024 include our continued investments in the expansion and modernization of the FedEx Express Indianapolis hub and modernization of the FedEx Express Memphis World Hub.

We will continue to evaluate our investments in critical long-term strategic projects to ensure our capital expenditures are expected to generate high returns on investment and are balanced with our outlook for global economic conditions. For additional details on key 2024 capital projects, refer to the “Financial Condition – Capital Resources” and “Financial Condition – Liquidity Outlook” sections of this MD&A.

The uncertainty of a slowing global economy, global inflation well above historical levels, geopolitical challenges including the ongoing conflict between Russia and Ukraine, and the impact these factors will have on the rate of growth of global trade, supply chains, fuel prices, and our business in particular, make any expectations for 2024 inherently less certain. See “Item 1A. Risk Factors” for more information.

See “Forward-Looking Statements”, “Item 1A. Risk Factors”, “Trends Affecting Our Business”, and “Critical Accounting Estimates” for a discussion of these and other potential risks and uncertainties that could materially affect our future performance.

Seasonality of Business

Our businesses are cyclical in nature, as seasonal fluctuations affect volumes, revenue, and earnings. Historically, the U.S. express package business experiences an increase in volumes in late November and December. International business, particularly in the Asia-to-U.S. market, peaks in October and November in advance of the U.S. holiday sales season. Our first and third fiscal quarters, because they are summer vacation and post winter-holiday seasons, have historically experienced lower volumes relative to other periods. Normally, the fall is the busiest shipping period for FedEx Ground, while late December, June and July are the slowest periods. For FedEx Freight, the spring and fall are the busiest periods and the latter part of December through February is the slowest period. Shipment levels, operating costs, and earnings for each of our companies can also be adversely affected by inclement weather, particularly the impact of severe winter weather in our third fiscal quarter. See “Item 1A. Risk Factors” for more information.

RECENT ACCOUNTING GUIDANCE

See Note 2 of the accompanying consolidated financial statements for a discussion of recent accounting guidance.

REPORTABLE SEGMENTS

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

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

In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network under the respected FedEx brand. The organizational redesign will be implemented in phases with full implementation expected in June 2024. During the implementation process in fiscal 2024, each of our current reportable segments will continue to have discrete financial information that will be regularly reviewed when evaluating performance and making resource allocation decisions, and aligns with our management reporting structure and our internal financial reporting. In the first quarter of fiscal 2025, when the consolidation plan has been completed, we expect to begin reporting a resegmented structure that will align with an updated management reporting structure and how management will evaluate performance and make resource allocation decisions under one FedEx.

FEDEX SERVICES SEGMENT

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

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

CORPORATE, OTHER, AND ELIMINATIONS

Corporate and other includes corporate headquarters costs for executive officers and certain legal and finance functions, including certain other costs and credits not attributed to our core business, as well as certain costs associated with developing our “innovate digitally” strategic pillar through our FedEx Dataworks operating segment. FedEx Dataworks is focused on creating solutions to transform the digital and physical experiences of our customers and team members. ShopRunner, Inc. was merged into FedEx Dataworks during 2023.

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

The results of Corporate, other, and eliminations are not allocated to the other business segments.

In 2023, the decrease in operating results in Corporate, other, and eliminations was primarily due to lower operating income at FedEx Logistics due to decreased revenue and an increase in bad debt, partially offset by decreased purchased transportation expense. Additionally, operating results in Corporate, other, and eliminations were negatively impacted by higher professional fees and outside service contract spend at FedEx Dataworks. The comparison of operating loss between 2023 and 2022 at Corporate, other, and eliminations is affected by goodwill and other asset impairment charges of \$47 million associated with the ShopRunner acquisition at FedEx Dataworks in 2023.

Certain FedEx operating companies provide transportation and related services for other FedEx companies outside their reportable segment in order to optimize our resources. For example, during 2023 FedEx Ground provided delivery support for certain FedEx Express packages as part of our last-mile optimization efforts, and FedEx Freight provided road and intermodal support for both FedEx Ground and FedEx Express. In addition, FedEx Express is working with FedEx Logistics to secure air charters and other cargo space for U.S. customers. Billings for such services are based on negotiated rates, which we believe approximate fair value, and are reflected as revenue of the billing segment. These rates are adjusted from time to time based on market conditions. Such intersegment revenue and expenses are eliminated in our consolidated results and are not separately identified in the following segment information because the amounts are not material.

FEDEX EXPRESS SEGMENT

FedEx Express offers a wide range of U.S. domestic and international shipping services for delivery of packages and freight including priority, deferred, and economy services, which provide delivery on a time-definite or day-definite basis. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, and operating expenses as a percent of revenue for the years ended May 31:

	2023	2022	Percent Change		
Revenue:					
Package:					
U.S. overnight box	\$ 8,916	\$ 9,084	(2)		
U.S. overnight envelope	1,980	1,971	—		
U.S. deferred	5,128	5,330	(4)		
Total U.S. domestic package revenue	16,024	16,385	(2)		
International priority	10,939	12,130	(10)		
International economy	2,911	2,838	3		
Total international export package revenue	13,850	14,968	(7)		
International domestic ⁽¹⁾	4,043	4,340	(7)		
Total package revenue	33,917	35,693	(5)		
Freight:					
U.S.	2,906	3,041	(4)		
International priority	3,060	3,840	(20)		
International economy	1,510	1,653	(9)		
International airfreight	166	177	(6)		
Total freight revenue	7,642	8,711	(12)		
Other	1,184	1,410	(16)		
Total revenue	42,743	45,814	(7)		
				Percent of Revenue	
				2023	2022
				100.0%	100.0%
Operating expenses:					
Salaries and employee benefits	15,899	16,435	(3)	37.2	35.9
Purchased transportation	5,629	6,322	(11)	13.2	13.8
Rentals and landing fees	2,310	2,568	(10)	5.4	5.6
Depreciation and amortization	2,105	2,007	5	4.9	4.4
Fuel	5,122	4,418	16	12.0	9.6
Maintenance and repairs	2,000	2,120	(6)	4.7	4.6
Asset impairment charges	70	—	NM	0.2	—
Business optimization and realignment costs	47	278	(83)	0.1	0.6
Intercompany charges	1,896	1,997	(5)	4.4	4.4
Other	6,601	6,747	(2)	15.4	14.7
Total operating expenses	41,679	42,892	(3)	97.5%	93.6%
Operating income	\$ 1,064	\$ 2,922	(64)		
Operating margin	2.5%	6.4%	(390) bp		

⁽¹⁾ International domestic revenue relates to our international intra-country operations.

The following table compares selected statistics (in thousands, except yield amounts) for the years ended May 31:

	2023	2022	Percent Change
Package Statistics			
Average daily package volume (ADV):			
U.S. overnight box	1,259	1,421	(11)
U.S. overnight envelope	465	506	(8)
U.S. deferred	1,063	1,262	(16)
Total U.S. domestic ADV	2,787	3,189	(13)
International priority	708	786	(10)
International economy	278	277	—
Total international export ADV	986	1,063	(7)
International domestic ⁽¹⁾	1,805	1,954	(8)
Total ADV	5,578	6,206	(10)
Revenue per package (yield):			
U.S. overnight box	\$ 27.77	\$ 25.07	11
U.S. overnight envelope	16.71	15.28	9
U.S. deferred	18.91	16.56	14
U.S. domestic composite	22.54	20.15	12
International priority	60.62	60.54	—
International economy	41.12	40.13	2
International export composite	55.13	55.21	—
International domestic ⁽¹⁾	8.78	8.71	1
Composite package yield	23.85	22.56	6
Freight Statistics			
Average daily freight pounds:			
U.S.	6,735	7,935	(15)
International priority	5,435	6,671	(19)
International economy	10,591	11,978	(12)
International airfreight	998	1,160	(14)
Total average daily freight pounds	23,759	27,744	(14)
Revenue per pound (yield):			
U.S.	\$ 1.69	\$ 1.50	13
International priority	2.21	2.26	(2)
International economy	0.56	0.54	4
International airfreight	0.65	0.60	8
Composite freight yield	1.26	1.23	2

⁽¹⁾ International domestic statistics relate to our international intra-country operations.

FedEx Express Segment Revenue

FedEx Express segment revenue decreased 7% in 2023 primarily due to decreased global volume and unfavorable exchange rates, partially offset by yield improvement.

Total average daily package volume decreased 10% in 2023, and total average daily freight pounds decreased 14% in 2023, due to reduced demand for our services, primarily resulting from macroeconomic conditions. Volume declines were partially offset by yield improvement, including increases in composite package yield of 6% and composite freight yield of 2% in 2023. The 6% increase in composite package yield was primarily due to a U.S. domestic package yield increase of 12%, driven by higher base yields and fuel surcharges. Unfavorable exchange rates negatively impacted all international package and freight product yields in 2023.

FedEx Express Segment Operating Income

FedEx Express segment operating income decreased 64% in 2023 primarily due to global volume declines, partially offset by yield improvement and lower operating expenses. During 2023, we implemented cost reductions to mitigate the impact of volume declines, including reducing flight hours, temporarily parking and retiring aircraft, improving productivity, and consolidating routes and closing sorts. The impact of these reductions, while improving throughout the year, lagged volume declines, and operating expenses remained high relative to demand. Currency exchange rates had a negative effect on revenue and a positive effect on expenses, resulting in a slightly negative effect on operating income in 2023.

Fuel expense increased 16% in 2023 due to a 27% increase in fuel prices, partially offset by a 9% decline in total fuel gallons. Purchased transportation expense decreased 11% in 2023 primarily due to favorable exchange rates and lower utilization, partially offset by higher rates charged by third-party providers. Salaries and employee benefits expense decreased 3% in 2023 primarily due to decreased staffing to align with lower volume, favorable currency exchange rates, and lower variable incentive compensation, partially offset by increased wage rates. Rentals and landing fees expense decreased 10% in 2023 primarily due to decreased aircraft leases and favorable currency exchange rates. Other operating expense decreased 2% in 2023 primarily due to favorable currency exchange rates and lower outside service contract expense, partially offset by higher bad debt expense. Maintenance and repairs expense decreased 6% in 2023 primarily due to lower aircraft maintenance resulting from an increase in aircraft temporarily parked.

During 2023, we recorded asset impairment charges of \$70 million associated with the decision to permanently retire certain aircraft and related engines. See “Goodwill and Other Asset Impairment Charges” above for more information. Additionally, FedEx Express segment results include business realignment costs of \$36 million in 2023 associated with our workforce reduction plan in Europe. We recognized \$278 million of costs in 2022 under this program. FedEx Express segment results also include business optimization costs of \$11 million in 2023, which includes costs associated with idling our business in Russia. See the “Business Optimization and Realignment Costs” section of this MD&A for more information.

FedEx Express segments results include \$115 million of TNT Express integration expenses in 2022.

FEDEX GROUND SEGMENT

FedEx Ground service offerings include day-certain delivery to businesses in the U.S. and Canada and to 100% of U.S. residences. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, selected package statistics (in thousands, except yield amounts), and operating expenses as a percent of revenue for the years ended May 31:

	2023	2022	Percent Change	Percent of Revenue	
				2023	2022
Revenue	\$ 33,507	\$ 33,232	1	100.0 %	100.0 %
Operating expenses:					
Salaries and employee benefits	6,737	7,101	(5)	20.1	21.4
Purchased transportation	14,597	15,232	(4)	43.5	45.8
Rentals	1,661	1,410	18	5.0	4.2
Depreciation and amortization	1,020	919	11	3.0	2.8
Fuel	36	32	13	0.1	0.1
Maintenance and repairs	634	584	9	1.9	1.7
Intercompany charges	1,961	1,954	—	5.9	5.9
Other	3,721	3,358	11	11.1	10.1
Total operating expenses	30,367	30,590	(1)	90.6 %	92.0 %
Operating income	\$ 3,140	\$ 2,642	19		
Operating margin	9.4 %	8.0 %	140 bp		
Average daily package volume (ADV) ⁽¹⁾ :					
Ground commercial	4,361	4,549	(4)		
Home delivery	4,021	4,223	(5)		
Economy	781	1,130	(31)		
Total ADV	9,163	9,902	(7)		
Revenue per package (yield)	\$ 11.70	\$ 10.64	10		

⁽¹⁾ Ground commercial ADV is calculated on a 5-day-per-week basis, while home delivery and economy ADV are calculated on a 7-day-per-week basis.

FedEx Ground Segment Revenue

FedEx Ground segment revenue increased 1% in 2023 primarily due to yield improvement, partially offset by lower volumes.

FedEx Ground yield increased 10% in 2023 primarily due to higher fuel and other surcharges, and a mix shift towards higher-yielding business-to-consumer products. Total average daily volume decreased 7% in 2023 due to reduced demand for our services, primarily resulting from macroeconomic conditions.

FedEx Ground Segment Operating Income

FedEx Ground segment operating income increased 19% in 2023 primarily due to yield improvement, including higher fuel surcharges, partially offset by lower volume and higher other operating and rentals expense. The 2023 results benefited from certain cost reductions to mitigate the effect of volume declines, primarily a delay and reduction in peak wage programs, the consolidation and closing of certain sort and linehaul operations, cancellation of network capacity projects, and reduced Sunday delivery coverage.

Purchased transportation expense decreased 4% in 2023 primarily due to lower volumes, partially offset by lower productivity and higher fuel prices. Salaries and employee benefits decreased 5% in 2023 primarily due to decreased staffing to align with lower volume and lower variable incentive compensation, partially offset by higher wage rates. Other operating expense increased 11% in 2023 primarily due to higher self-insurance accruals and higher outside service contracts expense. Rentals and depreciation expense increased 18% and 11%, respectively, in 2023 due to the completion of previously committed multi-year expansion projects.

FEDEX FREIGHT SEGMENT

FedEx Freight LTL service offerings include priority services when speed is critical and economy services when time can be traded for savings. The following table compares revenue, operating expenses, operating income (dollars in millions), operating margin, selected statistics, and operating expenses as a percent of revenue for the years ended May 31:

	2023	2022	Percent Change	Percent of Revenue	
	2023	2022		2023	2022
Revenue	\$ 9,632	\$ 9,532	1	100.0%	100.0%
Operating expenses:					
Salaries and employee benefits	4,002	4,140	(3)	41.5	43.4
Purchased transportation	731	976	(25)	7.6	10.2
Rentals	266	245	9	2.8	2.6
Depreciation and amortization	387	406	(5)	4.0	4.3
Fuel	748	662	13	7.8	7.0
Maintenance and repairs	318	274	16	3.3	2.9
Intercompany charges	526	517	2	5.4	5.4
Other	729	649	12	7.6	6.8
Total operating expenses	7,707	7,869	(2)	80.0%	82.6%
Operating income	\$ 1,925	\$ 1,663	16		
Operating margin	20.0%	17.4%	260 bp		
Average daily shipments (in thousands):					
Priority	70.1	79.1	(11)		
Economy	29.6	32.6	(9)		
Total average daily shipments	99.7	111.7	(11)		
Weight per shipment (pounds):					
Priority	1,027	1,092	(6)		
Economy	912	947	(4)		
Composite weight per shipment	993	1,050	(5)		
Revenue per shipment:					
Priority	\$ 363.85	\$ 320.76	13		
Economy	417.50	368.08	13		
Composite revenue per shipment	\$ 379.76	\$ 334.57	14		
Revenue per hundredweight:					
Priority	\$ 35.44	\$ 29.38	21		
Economy	45.78	38.86	18		
Composite revenue per hundredweight	\$ 38.26	\$ 31.88	20		

FedEx Freight Segment Revenue

FedEx Freight segment revenue increased 1% in 2023 primarily due to yield improvement, partially offset by lower volumes.

Revenue per shipment increased 14% in 2023 primarily due to continued focus on revenue quality, including higher fuel surcharges, partially offset by lower weight per shipment. Average daily shipments decreased 11% in 2023 due to reduced demand for our services, primarily resulting from macroeconomic conditions.

FedEx Freight Segment Operating Income

FedEx Freight segment operating income increased 16% in 2023 driven by yield improvement, including higher fuel surcharges, partially offset by lower volumes. Additionally, FedEx Freight results were positively affected by initiatives to align costs to volumes and a gain on the sale of a facility during the third quarter of 2023.

In 2023, FedEx Freight continued to manage linehaul costs by increasing utilization of company linehaul, resulting in a shift of costs from purchased transportation to salaries and employee benefits expense. Purchased transportation expense decreased 25% in 2023 primarily due to lower volumes and reduced utilization due to the shift to company linehaul. Salaries and employee benefits expense decreased 3% in 2023 primarily due to decreased staffing to align with lower volume and lower variable incentive compensation, partially offset by higher wage rates and increased company linehaul utilization. Fuel expense increased 13% in 2023 primarily due to increased fuel prices, partially offset by lower volume. Other operating expense increased 12% in 2023 primarily due to higher self-insurance accruals and bad debt expense. Maintenance and repairs expense increased 16% in 2023 primarily due to higher costs associated with vehicle parts, outside vendor labor, and facility maintenance.

FINANCIAL CONDITION

LIQUIDITY

Cash and cash equivalents totaled \$6.9 billion at May 31, 2023 and May 31, 2022. The following table provides a summary of our cash flows for the years ended May 31 (in millions):

	2023	2022
Operating activities:		
Net income	\$ 3,972	\$ 3,826
Retirement plans mark-to-market adjustments	(650)	1,578
Goodwill and other asset impairment charges	117	—
Business optimization and realignment costs, net of payments	23	53
Other noncash charges and credits	8,526	7,494
Changes in assets and liabilities	(3,140)	(3,119)
Cash provided by operating activities	8,848	9,832
Investing activities:		
Capital expenditures	(6,174)	(6,763)
Purchase of investments	(84)	(147)
Proceeds from asset dispositions and other	84	94
Cash used in investing activities	(6,174)	(6,816)
Financing activities:		
Principal payments on debt	(152)	(161)
Proceeds from stock issuances	231	184
Dividends paid	(1,177)	(793)
Purchase of treasury stock	(1,500)	(2,248)
Other, net	1	(1)
Cash used in financing activities	(2,597)	(3,019)
Effect of exchange rate changes on cash	(118)	(187)
Net (decrease) increase in cash and cash equivalents	\$ (41)	\$ (190)
Cash and cash equivalents at end of period	\$ 6,856	\$ 6,897

Cash Provided by Operating Activities. Cash flows from operating activities decreased \$1.0 billion in 2023 primarily due to lower net income (net of noncash items), as well as a decrease in accounts payable and legal settlements, partially offset by a decrease in accounts receivable.

Cash Used in Investing Activities. Capital expenditures were 9% lower in 2023 primarily due to decreased spending on aircraft. See “Capital Resources” below for a more detailed discussion of capital expenditures during 2023.

Financing Activities. In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we completed an ASR agreement with a bank in the third quarter of 2023 to repurchase an aggregate of \$1.5 billion of our common stock. A total of 9.2 million shares were repurchased under the agreement.

During 2022, as part of the repurchase program, we completed an ASR agreement with a bank to repurchase an aggregate of \$1.5 billion of our common stock, and 6.1 million shares were delivered. We also repurchased an additional 2.8 million shares of our common stock during 2022.

The following table provides a summary of repurchases of our common stock for the periods ended May 31 (dollars in millions, except per share amounts):

	2023			2022		
	Total Number of Shares Purchased	Average Price Paid per Share	Total Purchase Price	Total Number of Shares Purchased	Average Price Paid per Share	Total Purchase Price
Common stock repurchases	9,180,752	\$ 163.39	\$ 1,500	8,857,202	\$ 253.85	\$ 2,248

As of May 31, 2023, \$2.6 billion remains available to be used for repurchases under the program authorized in December 2021, which is the only program that currently exists. Shares under the program may be repurchased from time to time in the open market or in privately negotiated transactions. The program does not have an expiration date and may be suspended or discontinued at any time. See Note 1 of the accompanying consolidated financial statements for additional information.

CAPITAL RESOURCES

Our operations are capital intensive, characterized by significant investments in aircraft, package handling and sort equipment, vehicles and trailers, technology, and facilities. The amount and timing of capital investments depend on various factors, including pre-existing contractual commitments, anticipated volume growth, domestic and international economic conditions, new or enhanced services, geographical expansion of services, availability of satisfactory financing, and actions of regulatory authorities.

The following table compares capital expenditures by asset category and reportable segment for the years ended May 31 (in millions):

	2023	2022	Percent Change
Aircraft and related equipment	\$ 1,684	\$ 2,273	(26)
Package handling and ground support equipment	1,851	1,737	7
Vehicles and trailers	719	717	—
Information technology	802	851	(6)
Facilities and other	1,118	1,185	(6)
Total capital expenditures	\$ 6,174	\$ 6,763	(9)
FedEx Express segment	\$ 3,055	\$ 3,637	(16)
FedEx Ground segment	1,995	2,139	(7)
FedEx Freight segment	556	319	74
FedEx Services segment	431	565	(24)
Other	137	103	33
Total capital expenditures	\$ 6,174	\$ 6,763	(9)

Capital expenditures decreased \$0.6 billion during 2023 primarily due to decreased spending on aircraft and related equipment at FedEx Express.

GUARANTOR FINANCIAL INFORMATION

We are providing the following information in compliance with Rule 13-01 of Regulation S-X, “Financial Disclosures about Guarantors and Issuers of Guaranteed Securities” with respect to our senior unsecured debt securities and Pass-Through Certificates, Series 2020-1AA (the “Certificates”).

The \$19.2 billion principal amount of the senior unsecured notes were issued by FedEx under a shelf registration statement and are guaranteed by certain direct and indirect subsidiaries of FedEx (“Guarantor Subsidiaries”). FedEx owns, directly or indirectly, 100% of each Guarantor Subsidiary. The guarantees are (1) unsecured obligations of the respective Guarantor Subsidiary, (2) rank equally with all of their other unsecured and unsubordinated indebtedness, and (3) are full and unconditional and joint and several. If we sell, transfer, or otherwise dispose of all of the capital stock or all or substantially all of the assets of a Guarantor Subsidiary to any person that is not an affiliate of FedEx, the guarantee of that Guarantor Subsidiary will terminate, and holders of debt securities will no longer have a direct claim against such subsidiary under the guarantee.

Additionally, FedEx fully and unconditionally guarantees the payment obligation of FedEx Express in respect of the \$840 million principal amount of the Certificates. See Note 6 of the accompanying consolidated financial statements for additional information regarding the terms of the Certificates.

The following tables present summarized financial information for FedEx (as Parent) and the Guarantor Subsidiaries on a combined basis after transactions and balances within the combined entities have been eliminated.

Parent and Guarantor Subsidiaries

The following table presents the summarized balance sheet information as of May 31, 2023 (in millions):

Current Assets	\$	10,758
Intercompany Receivable		3,566
Total Assets		89,947
Current Liabilities		9,933
Intercompany Payable		—
Total Liabilities		59,837

The following table presents the summarized statement of income information as of May 31, 2023 (in millions):

Revenue	\$	67,133
Intercompany Charges, net		(4,946)
Operating Income		4,733
Intercompany Charges, net		174
Income Before Income Taxes		5,102
Net Income	\$	3,884

The following tables present summarized financial information for FedEx (as Parent Guarantor) and FedEx Express (as Subsidiary Issuer) on a combined basis after transactions and balances within the combined entities have been eliminated.

Parent Guarantor and Subsidiary Issuer

The following table presents the summarized balance sheet information as of May 31, 2023 (in millions):

Current Assets	\$	4,408
Intercompany Receivable		—
Total Assets		70,016
Current Liabilities		5,100
Intercompany Payable		11,011
Total Liabilities		48,246

The following table presents the summarized statement of income information as of May 31, 2023 (in millions):

Revenue	\$	23,861
Intercompany Charges, net		(3,507)
Operating Income		482
Intercompany Charges, net		217
Income Before Income Taxes		2,881
Net Income	\$	2,869

LIQUIDITY OUTLOOK

In response to current business and economic conditions as referenced above in the “Outlook” section of this MD&A, we are continuing to actively manage and optimize our capital allocation to mitigate the impact of the slowing economy, inflationary pressures, and geopolitical conflicts. We held \$6.9 billion in cash at May 31, 2023 and have \$3.5 billion in available liquidity under our \$2.0 billion five-year credit agreement (the “Five-Year Credit Agreement”) and \$1.5 billion three-year credit agreement (the “Three-Year Credit Agreement”) and together with the Five-Year Credit Agreement, the “Credit Agreements”), and we believe that our cash and cash equivalents, cash flow from operations, and available financing sources are adequate to meet our liquidity needs, which include operational requirements, expected capital expenditures, voluntary pension contributions, dividend payments, and stock repurchases.

As announced on June 20, 2023, we expect to repurchase \$2.0 billion of our common stock in 2024. We executed an ASR agreement with a bank in June 2023 to repurchase an aggregate of \$500 million of our common stock with a completion date no later than August 2023.

Our cash and cash equivalents balance at May 31, 2023 includes \$2.6 billion of cash in foreign jurisdictions associated with our permanent reinvestment strategy. We are able to access the majority of this cash without a material tax cost and do not believe that the indefinite reinvestment of these funds impairs our ability to meet our U.S. domestic debt or working capital obligations.

Our capital expenditures for 2024 are expected to be approximately \$5.7 billion, a decrease of \$0.5 billion from 2023, as we continue to reduce our capital intensity relative to revenue. We expect lower aircraft spend and reduced capacity investment to be partially offset by investments to optimize our networks and modernize our facilities. Included within our expected 2024 capital expenditures are our continued investments in the expansion and modernization of the FedEx Express Indianapolis hub and modernization of the FedEx Express Memphis World Hub, which are expected to total \$1.5 billion each over the life of each project. Our expected capital expenditures for 2024 also include \$1.5 billion for delivery of aircraft and related equipment and progress payments toward future aircraft deliveries at FedEx Express.

We have additional obligations as part of our ordinary course of business, beyond those committed for capital expenditures, which consist of debt obligations, lease obligations, and obligations and commitments for purchases of goods and services. Refer to Note 6, Note 7, and Note 17 of the accompanying consolidated financial statements for more information. In addition, we have certain tax positions that are further discussed in Note 12 of the accompanying consolidated financial statements. We do not have any guarantees or other off-balance sheet financing arrangements, including variable interest entities, which we believe could have a material impact on our financial condition or liquidity.

We have several aircraft modernization programs under way that are supported by the purchase of Boeing 777 Freighter and Boeing 767-300 Freighter aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

We have a shelf registration statement filed with the Securities and Exchange Commission (“SEC”) that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock and allows pass-through trusts formed by FedEx Express to sell, in one or more future offerings, pass-through certificates.

The Five-Year Credit Agreement expires in March 2026 and includes a \$250 million letter of credit sublimit. The Three-Year Credit Agreement expires in March 2025. The Credit Agreements are available to finance our operations and other cash flow needs. See Note 6 of the accompanying consolidated financial statements for a description of the terms and significant covenants of the Credit Agreements.

We made a voluntary contribution of \$200 million to our tax-qualified U.S. domestic pension plans (“U.S. Pension Plans”) in June 2023 and anticipate making \$600 million of additional voluntary contributions during the remainder of 2024. There are currently no required minimum contributions to our U.S. Pension Plans based on current funded status and credit balance due to cumulative excess voluntary pension contributions, which exceeds \$3.0 billion. The credit balance is subtracted from plan assets to determine the minimum funding requirements. Therefore, we could eliminate all required contributions to our principal U.S. Pension Plans for several years if we were to choose to waive part of that credit balance in any given year. Our U.S. Pension Plans have ample funds to meet expected benefit payments.

On April 5, 2023, our Board of Directors declared a quarterly cash dividend of \$1.26 per share of common stock. The dividend was paid on July 3, 2023 to stockholders of record as of the close of business on June 12, 2023. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis. There are no material restrictions on our ability to declare dividends, nor are there any material restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances.

Standard & Poor’s has assigned us a senior unsecured debt credit rating of BBB, a Certificates rating of AA-, a commercial paper rating of A-2, and a ratings outlook of “stable.” Moody’s Investors Service has assigned us an unsecured debt credit rating of Baa2, a Certificates rating of Aa3, a commercial paper rating of P-2, and a ratings outlook of “stable.” If our credit ratings drop, our interest expense may increase. If our commercial paper ratings drop below current levels, we may have difficulty utilizing the commercial paper market. If our senior unsecured debt credit ratings drop below investment grade, our access to financing may become limited.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a complex, global corporation. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The estimates discussed below include the financial statement elements that are either the most judgmental or involve the selection or application of alternative accounting policies and are material to our results of operations and financial condition. Management has discussed the development and selection of these critical accounting estimates with the Audit and Finance Committee of our Board of Directors and with our independent registered public accounting firm.

RETIREMENT PLANS

The rules for pension accounting are complex and can produce volatility in our earnings, financial condition, and liquidity. Our defined benefit pension and postretirement benefit plans are measured using actuarial techniques that reflect management's assumptions for expected returns on assets ("EROA"), discount rate, and demographic experience such as salary increases, expected retirement, mortality, employee turnover, and future increases in healthcare costs. Differences between these assumptions and actual experience are recognized in our earnings through MTM accounting. The components of the MTM adjustments for the period ended May 31 are as follows (presented as (gain) loss in millions):

	2023	2022
Actual versus expected return on assets	\$ 2,492	\$ 5,109
Discount rate change	(3,395)	(4,486)
Demographic experience:		
Current year actuarial loss	142	504
Change in future assumptions	110	314
Termination of TNT Express Netherlands pension plan	—	224
Pension plan amendments, including curtailment gains	1	(87)
Total MTM (gain) loss	<u>\$ (650)</u>	<u>\$ 1,578</u>

Our annual MTM adjustment is highly sensitive to the discount rate and EROA assumptions, which are as follows:

	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2023	2022	2023	2022	2023	2022
Discount rate used to determine benefit obligation	5.20 %	4.25 %	4.21 %	3.09 %	5.37 %	4.35 %
Discount rate used to determine net periodic benefit cost	4.25	3.23	3.09	1.83	4.35	2.81
Expected long-term rate of return on assets	6.50	6.50	2.26	2.39	—	—

The following sensitivity analysis shows the impact of a 50-basis-point change in the EROA and discount rate assumptions for our largest pension plan and the resulting increase (decrease) in our projected benefit obligation ("PBO") as of May 31, 2023 and expense for the year ended May 31, 2023 (in millions):

	50 Basis Point Increase	50 Basis Point Decrease
Pension Plan		
<i>EROA:</i>		
Effect on pension expense	\$ (123)	\$ 123
<i>Discount Rate:</i>		
Effect on pension expense	7	(10)
Effect on PBO	(1,436)	1,582

See Note 13 of the accompanying consolidated financial statements for further information about our retirement plans.

INCOME TAXES

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Our income taxes are a function of our income, tax planning opportunities available to us, statutory tax rates, and the income tax laws in the various jurisdictions in which we operate. These tax laws are complex and subject to different interpretations by us and the respective governmental taxing authorities. As a result, significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. Also, our effective tax rate is significantly affected by the earnings generated in each jurisdiction, so unexpected fluctuations in the geographic mix of earnings could significantly impact our tax rate. Our intercompany transactions are based on globally accepted transfer pricing principles, which align profits with the business operations and functions of the various legal entities in our international business.

We evaluate our tax positions quarterly and adjust the balances as new information becomes available. These evaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax laws or their interpretations, audit activity, and changes in our business. In addition, management considers the advice of third parties in making conclusions regarding tax consequences.

Tax contingencies arise from uncertainty in the application of tax rules throughout the many jurisdictions in which we operate. Despite our belief that our tax return positions are consistent with applicable tax laws, taxing authorities could challenge certain positions. We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on the technical merits. The benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations and adjustments to unrecognized tax benefits may be necessary to reflect actual taxes payable upon settlement.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These sources of income rely heavily on estimates to make this determination, and as a result there is a risk that these estimates will have to be revised as new information is received. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. We believe we will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets in our consolidated balance sheets that are not subject to valuation allowances. We record the taxes for global intangible low-taxed income as a period cost.

Our income tax positions are based on currently enacted tax laws. As further guidance is issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, any resulting changes to our estimates will be treated in accordance with the relevant accounting guidance.

For more information, see the "Income Taxes" section of this MD&A and Note 12 of the accompanying consolidated financial statements.

SELF-INSURANCE ACCRUALS

Our self-insurance reserves are established for estimates of ultimate loss on all incurred claims, including incurred-but-not-reported claims. Components of our self-insurance reserves included in this critical accounting estimate are workers' compensation claims, vehicle accidents, property and cargo loss, general business liabilities, and benefits paid under employee disability programs. These reserves are primarily based on the actuarially estimated cost of claims incurred as of the balance sheet date. These estimates include judgment about severity of claims, frequency and volume of claims, healthcare inflation, seasonality, and plan designs. The use of any estimation technique in this area is inherently sensitive given the magnitude of claims involved and the length of time until the ultimate cost is known, which may be several years.

We believe our recorded obligations for these expenses are consistently measured on a conservative basis. Nevertheless, changes in accident frequency and severity, healthcare costs, insurance retention levels, and other factors can materially affect the estimates for these liabilities and affect our results of operations. Self-insurance accruals reflected in our balance sheet for the period ended May 31 are as follows (in millions):

	2023	2022
Short-Term	\$ 1,730	\$ 1,646
Long-Term	3,339	2,889
Total	<u>\$ 5,069</u>	<u>\$ 4,535</u>

A five-percent reduction or improvement in the assumed claim severity used to estimate our self-insurance accruals would result in an increase or decrease of approximately \$250 million in our reserves and expenses as of and for the year ended May 31, 2023. For more information, see “Item 1A. Risk Factors” of this Annual Report.

LONG-LIVED ASSETS

USEFUL LIVES AND SALVAGE VALUES. Our business is capital intensive, with approximately 60% of our owned assets invested in our transportation and information system infrastructures.

The depreciation or amortization of our capital assets over their estimated useful lives, and the determination of any salvage values, requires management to make judgments about future events. Because we utilize many of our capital assets over relatively long periods (the majority of aircraft costs are depreciated over 15 to 30 years), we periodically evaluate whether adjustments to our estimated service lives or salvage values are necessary to ensure these estimates properly match the economic use of the asset. These evaluations consider usage, maintenance costs, and economic factors that affect the useful life of an asset. This evaluation may result in changes in the estimated lives and residual values used to depreciate our aircraft and other equipment.

For our aircraft, we consider actual experience with the same or similar aircraft types and future volume projections in estimating the useful lives and expected salvage values. We typically assign no residual value due to the utilization of our aircraft in cargo configuration, which results in little to no value at the end of their useful life. These estimates affect the amount of depreciation expense recognized in a period and, ultimately, the gain or loss on the disposal of the asset. Changes in the estimated lives of assets will result in an increase or decrease in the amount of depreciation recognized in future periods and could have a material impact on our results of operations (as described below). Historically, gains and losses on disposals of operating equipment have not been material. However, such amounts may differ materially in the future due to changes in business levels, technological obsolescence, accident frequency, regulatory changes, and other factors beyond our control.

IMPAIRMENT. As of May 31, 2023, the FedEx Express global air network included a fleet of 700 aircraft (including 293 supplemental aircraft) that provide delivery of packages and freight to more than 220 countries and territories through a wide range of U.S. and international shipping services. While certain aircraft are utilized in primary geographic areas (U.S. versus international), we operate an integrated global network, and utilize our aircraft and other modes of transportation to achieve the lowest cost of delivery while maintaining our service commitments to our customers. Because of the integrated nature of our global network, our aircraft are interchangeable across routes and geographies, giving us flexibility with our fleet planning to meet changing global economic conditions and maintain and modify aircraft as needed.

Because of the lengthy lead times for aircraft manufacture and modifications, we must anticipate volume levels and plan our fleet requirements years in advance, and make commitments for aircraft based on those projections. Furthermore, the timing and availability of certain used aircraft types (particularly those with better fuel efficiency) may create limited opportunities to acquire these aircraft at favorable prices in advance of our capacity needs. These activities create risks that asset capacity may exceed demand. At May 31, 2023, we had three purchased aircraft that were not yet placed into service.

We evaluate our long-lived assets used in operations for impairment when events and circumstances indicate that the undiscounted cash flows to be generated by that asset group are less than the carrying amounts of the asset group and may not be recoverable. If the cash flows do not exceed the carrying value, the asset must be adjusted to its current fair value. We operate integrated transportation networks, and accordingly, cash flows for most of our operating assets are assessed at a network level, not at an individual asset level for our analysis of impairment. Further, decisions about capital investments are evaluated based on the impact to the overall network rather than the return on an individual asset. We make decisions to remove certain long-lived assets from service based on projections of reduced capacity needs or lower operating costs of newer aircraft types, and those decisions may result in an impairment charge. Assets held for disposal must be adjusted to their estimated fair values less costs to sell when the decision is made to dispose of the asset and certain other criteria are met. The fair value determinations for such aircraft may require management estimates, as there may not be active markets for some of these aircraft. Such estimates are subject to revision from period to period.

In the fourth quarter of 2023, we made the decision to permanently retire from service 12 Boeing MD-11F aircraft and 25 related engines, four Boeing 757-200 aircraft and one related engine, and two Airbus A300-600 aircraft and eight related engines, to align with the plans of FedEx Express to modernize its aircraft fleet, improve its global network, and better align air network capacity to match current and anticipated shipment volumes. As a consequence of this decision, a noncash impairment charge of \$70 million (\$54 million, net of tax, or \$0.21 per diluted share) was recorded in the fourth quarter. All of these aircraft were temporarily idled and not in revenue service.

In addition, in the fourth quarter of 2023, FedEx Express made the decision to accelerate the retirement of 46 MD-11F aircraft and related engines to aid in our fleet modernization, improve our global network, and better align air network capacity of FedEx Express to match current and anticipated shipment volumes. As a result of this decision, we expect a net increase of approximately \$12 million in depreciation expense in 2024 with the expense impact in 2025 being immaterial.

In the normal management of our aircraft fleet, we routinely idle aircraft and engines temporarily due to maintenance cycles and adjustments of our network capacity to match seasonality and overall customer demand levels. Temporarily idled assets are classified as available-for-use, and we continue to record depreciation expense associated with these assets. These temporarily idled assets are assessed for impairment and remaining life on a quarterly basis. The criteria for determining whether an asset has been permanently removed from service (and, as a result, is potentially impaired) include, but are not limited to, our global economic outlook and the impact of our outlook on our current and projected volume levels, including capacity needs during our peak shipping seasons; the introduction of new fleet types or decisions to permanently retire an aircraft fleet from operations; and changes to planned service expansion activities. At May 31, 2023, we had 11 aircraft temporarily idled. These aircraft have been idled for an average of five months and are expected to return to revenue service in order to meet expected demand.

During the fourth quarter of 2023, we reviewed long-lived assets at FedEx Dataworks for impairment. Based on our reviews, we recognized an \$11 million (\$8 million, net of tax, or \$0.03 per diluted share) asset impairment charge related to an intangible asset from the ShopRunner acquisition. For more information, see Note 4 of the accompanying consolidated financial statements.

LEASES. We utilize operating leases to finance certain of our aircraft, facilities, and equipment. Such arrangements typically shift the risk of loss on the residual value of the assets at the end of the lease period to the lessor. In accordance with the new lease accounting standard adopted in 2020, we had \$18 billion in operating lease liabilities and \$17 billion in related right-of-use assets on the balance sheet as of May 31, 2023. The weighted-average remaining lease term of all operating leases outstanding at May 31, 2023 was 9.5 years.

Our leases generally contain options to extend or terminate the lease. We reevaluate our leases on a regular basis to consider the economic and strategic incentives of exercising the renewal options, and how they align with our operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement. Short-term leases with an initial term of 12 months or less are not recognized in the right-to-use asset and lease liability on the consolidated balance sheets.

The lease liabilities are measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and our incremental borrowing rate, which approximates the rate at which we would borrow, on a collateralized basis, over the term of a lease in the applicable currency environment. The interest rate implicit in the lease is generally not determinable in transactions where we are the lessee.

The determination of whether a lease is accounted for as a finance lease or an operating lease requires management to make estimates primarily about the fair value of the asset and its estimated economic useful life. In addition, our evaluation includes ensuring we properly account for build-to-suit lease arrangements and making judgments about whether various forms of lessee involvement during the construction period allow the lessee to control the underlying leased asset during the construction period. We believe we have well-defined and controlled processes for making these evaluations, including obtaining third-party appraisals for material transactions to assist us in making these evaluations.

GOODWILL. We had \$6.4 billion of recorded goodwill at May 31, 2023 and \$6.5 billion of recorded goodwill at May 31, 2022 from our business acquisitions, representing the excess of the purchase price over the fair value of the net assets acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefits from synergies of the combination and the existing workforce of the acquired business.

Goodwill is reviewed at least annually for impairment. In our evaluation of goodwill impairment, we perform a qualitative assessment that requires management judgment and the use of estimates to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity has an unconditional option to bypass the qualitative assessment for any reporting unit and proceed directly to performing the quantitative goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. We performed both qualitative and quantitative assessments of goodwill in the fourth quarter of 2023 and 2022. This included comparing the fair value of the reporting unit to its carrying value (including attributable goodwill). Fair value is estimated using standard valuation methodologies (principally the income or market approach classified as Level 3 within the fair value hierarchy) incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates, and expected capital expenditures. Estimates used by management can significantly affect the outcome of the impairment test. Changes in forecasted operating results and other assumptions could materially affect these estimates.

As part of our qualitative assessment, we consider changes in the macroeconomic environment such as the general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, and other developments in equity and credit markets.

The market approach uses observable market data of comparable public companies to estimate fair value utilizing financial metrics such as operating value to earnings before interest, taxes, depreciation, and amortization. We apply judgment to select appropriate comparison companies based on the business operations, growth, size, and risk profile relative to our reporting units. Changes to our selection of comparable companies may result in changes to the estimates of fair value of our reporting units.

In connection with our annual impairment testing of goodwill conducted in the fourth quarter of 2023, we recorded an impairment charge of \$36 million (\$36 million, net of tax, or \$0.14 per diluted share) for all of the goodwill attributable to our FedEx Dataworks reporting unit. The key factors contributing to the goodwill impairment were underperformance of the ShopRunner business during 2023, including base business erosion, and the failure to attain the level of operating synergies and revenue and profit growth anticipated at the time of acquisition. Based on these factors, our outlook for the business changed in the fourth quarter of 2023.

Our other reporting units with significant recorded goodwill include FedEx Express, FedEx Ground, and FedEx Freight. We evaluated these reporting units during the fourth quarters of 2023 and 2022 and the estimated fair value of each of these reporting units exceeded their carrying values as of the end of 2023 and 2022; therefore, we do not believe that any of these reporting units were impaired as of the balance sheet dates.

LEGAL AND OTHER CONTINGENCIES

We are subject to various loss contingencies in connection with our operations. Contingent liabilities are difficult to measure, as their measurement is subject to multiple factors that are not easily predicted or projected. Further, additional complexity in measuring these liabilities arises due to the various jurisdictions in which these matters occur, which makes our ability to predict their outcome highly uncertain. Moreover, different accounting rules must be employed to account for these items based on the nature of the contingency. Accordingly, significant management judgment is required to assess these matters and to make determinations about the measurement of a liability, if any. Certain pending loss contingencies are described in Note 18 of the accompanying consolidated financial statements. In the opinion of management, the aggregate liability, if any, of individual matters or groups of related matters not specifically described in Note 18 is not expected to be material to our financial position, results of operations, or cash flows. The following describes our methods and associated processes for evaluating these matters.

Because of the complex environment in which we operate, we are subject to numerous legal proceedings and claims, including those relating to general commercial matters, governmental enforcement actions, employment-related claims, vehicle accidents, and FedEx Ground's service providers. Accounting guidance for contingencies requires an accrual of estimated loss from a contingency, such as a non-income tax or other legal proceeding or claim, when it is probable (i.e., the future event or events are likely to occur) that a loss has been incurred and the amount of the loss can be reasonably estimated. This guidance also requires disclosure of a loss contingency matter when, in management's judgment, a material loss is reasonably possible or probable.

During the preparation of our financial statements, we evaluate our contingencies to determine whether it is probable, reasonably possible, or remote that a liability has been incurred. A loss is recognized for all contingencies deemed probable and estimable, regardless of amount. For unresolved contingencies with potentially material exposure that are deemed reasonably possible, we evaluate whether a potential loss or range of loss can be reasonably estimated.

Our evaluation of these matters is the result of a comprehensive process designed to ensure that accounting recognition of a loss or disclosure of these contingencies is made in a timely manner and involves our legal and accounting personnel, as well as external counsel where applicable. The process includes regular communications during each quarter and scheduled meetings shortly before the completion of our financial statements to evaluate any new legal proceedings and the status of existing matters.

In determining whether a loss should be accrued or a loss contingency disclosed, we evaluate, among other factors:

- the current status of each matter within the scope and context of the entire lawsuit or proceeding (e.g., the lengthy and complex nature of class-action matters);
- the procedural status of each matter;
- any opportunities to dispose of a lawsuit on its merits before trial (i.e., motion to dismiss or for summary judgment);
- the amount of time remaining before a trial date;
- the status of discovery;
- the status of settlement, arbitration, or mediation proceedings; and
- our judgment regarding the likelihood of success prior to or at trial.

In reaching our conclusions with respect to accrual of a loss or loss contingency disclosure, we take a holistic view of each matter based on these factors and the information available prior to the issuance of our financial statements. Uncertainty with respect to an individual factor or combination of these factors may impact our decisions related to accrual or disclosure of a loss contingency, including a conclusion that we are unable to establish an estimate of possible loss or a meaningful range of possible loss. We update our disclosures to reflect our most current understanding of the contingencies at the time we issue our financial statements. However, events may arise that were not anticipated and the outcome of a contingency may result in a loss to us that differs materially from our previously estimated liability or range of possible loss.

Despite the inherent complexity in the accounting and disclosure of contingencies, we believe that our processes are robust and thorough and provide a consistent framework for management in evaluating the potential outcome of contingencies for proper accounting recognition and disclosure.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATES. While we currently have market risk sensitive instruments related to interest rates, we do not have significant exposure to changing interest rates on our long-term debt. As disclosed in Note 6 to the accompanying consolidated financial statements, we had outstanding fixed-rate long-term debt (exclusive of finance leases) with an estimated fair value of \$17.5 billion at May 31, 2023 and outstanding fixed-rate long-term debt (exclusive of finance leases) with an estimated fair value of \$18.8 billion at May 31, 2022. Market risk for long-term debt is estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates and amounts to approximately \$743 million as of May 31, 2023 and approximately \$518 million as of May 31, 2022. The underlying fair values of our long-term debt were estimated based on quoted market prices or on the current rates offered for debt with similar terms and maturities.

We have interest rate risk with respect to our pension and postretirement benefit obligations. Changes in interest rates impact our liabilities associated with these retirement plans, as well as the amount of pension and postretirement benefit expense recognized. Declines in the value of plan assets could diminish the funded status of our pension plans and potentially increase our requirement to make contributions to the plans. Substantial investment losses on plan assets would also increase net pension expense. See the “Critical Accounting Estimates — Retirement Plans” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” of this Annual Report for more information.

FOREIGN CURRENCY. While we are a global provider of transportation, e-commerce, and business services, the majority of our transactions during the periods presented in this Annual Report are denominated in U.S. dollars. The principal foreign currency exchange rate risks to which we are exposed are in the euro, Chinese yuan, British pound, Canadian dollar, Hong Kong dollar, Australian dollar, Japanese yen, and Mexican peso. Historically, our exposure to foreign currency fluctuations is more significant with respect to our revenue than our expenses, as a significant portion of our expenses are denominated in U.S. dollars, such as aircraft and fuel expenses. Foreign currency fluctuations had a slightly negative impact on operating income in 2023 and a slightly positive impact on operating income in 2022. However, favorable foreign currency fluctuations also may have had an offsetting impact on the price we obtained or the demand for our services, which is not quantifiable. At May 31, 2023, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would result in a decrease in expected operating income of approximately \$236 million for 2024. This theoretical calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar, which is not consistent with our actual experience in foreign currency transactions. In addition to the direct effects of changes in exchange rates, fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors’ services become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

We maintain derivative financial instruments to manage foreign currency fluctuations related to probable future transactions and cash flows denominated in currencies other than the currency of the transacting entity which impacts our exposure to foreign currency exchange risk. These derivatives are not designated as hedges and are accounted for at fair value with any profit or loss recorded in income, which was immaterial for 2023 and 2022.

COMMODITY. While we have market risk for changes in the price of jet and vehicle fuel, this risk is largely mitigated by our indexed fuel surcharges. For additional discussion of our indexed fuel surcharges, see the “Results of Operations and Outlook — Consolidated Results — Fuel” section of “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting includes, among other things, defined policies and procedures for conducting and governing our business, sophisticated information systems for processing transactions, and a properly staffed, professional internal audit department. Mechanisms are in place to monitor the effectiveness of our internal control over financial reporting and actions are taken to correct all identified deficiencies. Our procedures for financial reporting include the active involvement of senior management, our Audit and Finance Committee, and our staff of highly qualified financial and legal professionals.

Management, with the participation of our principal executive and financial officers, assessed our internal control over financial reporting as of May 31, 2023, the end of our fiscal year. Management based its assessment on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of May 31, 2023.

The effectiveness of our internal control over financial reporting as of May 31, 2023, has been audited by Ernst & Young LLP (PCAOB ID: 42), the independent registered public accounting firm who also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K. Ernst & Young LLP's report on the Company's internal control over financial reporting is included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
FedEx Corporation

Opinion on Internal Control Over Financial Reporting

We have audited FedEx Corporation's internal control over financial reporting as of May 31, 2023, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, FedEx Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows and changes in common stockholders' investment for each of the three years in the period ended May 31, 2023, and the related notes and our report dated July 17, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Memphis, Tennessee

July 17, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
FedEx Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FedEx Corporation (the Company) as of May 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, cash flows and changes in common stockholders' investment for each of the three years in the period ended May 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 31, 2023, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 17, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Pension Projected Benefit Obligation

Description of the Matter

At May 31, 2023, the Company's aggregated projected benefit obligation for U.S. pension plans was \$26.4 billion and exceeded the \$24.8 billion fair value of U.S. pension plan assets, resulting in an unfunded U.S. pension obligation of \$1.6 billion. The net periodic benefit income for the year ended May 31, 2023 for the U.S. pension plans was \$313 million. As explained in Note 13 to the consolidated financial statements, the Company sponsors defined benefit pension plans that provide retirement benefits to certain U.S. employees. The Company's projected benefit obligation for the U.S. pension plans is measured using actuarial techniques that reflect management's assumptions for discount rate, future salary increases, employee turnover, mortality, and retirement ages.

Auditing the projected benefit obligation of the U.S. pension plans was complex due to the highly judgmental nature and significant effect of the discount rate used in the measurement process. The discount rate is developed by utilizing the yield on a theoretical portfolio of high-grade corporate bonds that match cash flows to benefit payments, limit the concentration by industry and issuer, and apply screening criteria to exclude bonds with a call feature unless they have a low probability of being called.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process for estimating the projected benefit obligation of the U.S. pension plans, including management's review of the significant assumptions and assessment of the data inputs provided to the actuary.

To test the projected benefit obligation of the U.S. pension plans, our audit procedures included, among others, evaluating the methodologies used, the significant actuarial assumptions described above, and the underlying data used by the Company. We compared the actuarial assumptions used by management to historical trends and evaluated the change in the projected benefit obligation of the U.S. pension plans from the prior year due to the change in service cost, interest cost, actuarial gains and losses, benefit payments, contributions and other activities. In addition, we involved our actuarial specialists to assist in evaluating management's methodology for determining the discount rate. As part of this assessment, we compared management's selected discount rate to an independently developed range of reasonable discount rates. Additionally, we compared the projected future cash flows of the U.S. pension plans to the prior year projections and compared the current year benefits paid to the prior year projected cash flows. We also tested the completeness and accuracy of the underlying data, including the participant data provided to management's actuarial specialists.

Valuation of Self-Insurance Accruals

*Description of
the Matter*

At May 31, 2023, the Company's self-insurance accruals reflected in the balance sheet were \$5.1 billion. As explained in Note 1 to the consolidated financial statements, self-insurance accruals include costs associated with workers' compensation claims, vehicle accidents, property and cargo loss, general business liabilities, and benefits paid under employee disability programs. These accrued liabilities are primarily based on the actuarially estimated cost of claims, including incurred-but-not-reported (IBNR) claims.

Auditing the Company's self-insurance accruals is complex due to the significant measurement uncertainty inherent to the estimate, the application of management judgment, and the use of various actuarial methods. In addition, the accruals are sensitive due to the volume of claims and the amount of time that can pass before the final cost is known.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process for estimating self-insurance accruals, including management's review of the assumptions used, results of calculations and assessment of data underlying the accruals.

To evaluate the self-insurance accruals, our audit procedures included, among others, testing the completeness and accuracy of the underlying claims data used by the Company. We involved our actuarial specialists to assist in our evaluation of the methodologies applied by management in establishing the actuarially determined accrual and in reviewing the Company's reinsurance contracts by policy year to assess the Company's self-insured retentions, deductibles, and coverage limits. We compared the Company's accrued amounts to a range developed by our actuarial specialists. Furthermore, we compared the Company's historical estimates of expected incurred losses to actual losses experienced during the current year.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Memphis, Tennessee

July 17, 2023

FEDEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	May 31,	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,856	\$ 6,897
Receivables, less allowances of \$800 and \$692	10,188	11,863
Spare parts, supplies, and fuel, less allowances of \$276 and \$360	604	637
Prepaid expenses and other	962	968
Total current assets	18,610	20,365
PROPERTY AND EQUIPMENT, AT COST		
Aircraft and related equipment	29,108	27,874
Package handling and ground support equipment	16,839	14,930
Information technology	8,792	8,098
Vehicles and trailers	10,191	9,806
Facilities and other	15,694	14,567
Total property and equipment, at cost	80,624	75,275
Less accumulated depreciation and amortization	39,926	37,184
Net property and equipment	40,698	38,091
OTHER LONG-TERM ASSETS		
Operating lease right-of-use assets, net	17,347	16,613
Goodwill	6,435	6,544
Other assets	4,053	4,381
Total other long-term assets	27,835	27,538
TOTAL ASSETS	\$ 87,143	\$ 85,994

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

	May 31,	
	2023	2022
LIABILITIES AND COMMON STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 126	\$ 82
Accrued salaries and employee benefits	2,475	2,531
Accounts payable	3,848	4,030
Operating lease liabilities	2,390	2,443
Accrued expenses	4,747	5,188
Total current liabilities	13,586	14,274
LONG-TERM DEBT, LESS CURRENT PORTION	20,453	20,182
OTHER LONG-TERM LIABILITIES		
Deferred income taxes	4,489	4,093
Pension, postretirement healthcare, and other benefit obligations	3,130	4,448
Self-insurance accruals	3,339	2,889
Operating lease liabilities	15,363	14,487
Other liabilities	695	682
Total other long-term liabilities	27,016	26,599
COMMITMENTS AND CONTINGENCIES		
COMMON STOCKHOLDERS' INVESTMENT		
Common stock, \$0.10 par value; 800 million shares authorized; 318 million shares issued as of May 31, 2023 and 2022	32	32
Additional paid-in capital	3,769	3,712
Retained earnings	35,259	32,782
Accumulated other comprehensive loss	(1,327)	(1,103)
Treasury stock, at cost	(11,645)	(10,484)
Total common stockholders' investment	26,088	24,939
TOTAL LIABILITIES AND COMMON STOCKHOLDERS' INVESTMENT	\$ 87,143	\$ 85,994

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Years ended May 31,		
	2023	2022	2021
REVENUE	\$ 90,155	\$ 93,512	\$ 83,959
OPERATING EXPENSES:			
Salaries and employee benefits	31,019	32,058	30,173
Purchased transportation	21,790	24,118	21,674
Rentals and landing fees	4,738	4,712	4,155
Depreciation and amortization	4,176	3,970	3,793
Fuel	5,909	5,115	2,882
Maintenance and repairs	3,357	3,372	3,328
Goodwill and other asset impairment charges	117	—	—
Business optimization and realignment costs	309	278	116
Other	13,828	13,644	11,981
TOTAL OPERATING EXPENSES	85,243	87,267	78,102
OPERATING INCOME	4,912	6,245	5,857
OTHER INCOME (EXPENSE):			
Interest expense	(694)	(689)	(793)
Interest income	198	53	52
Other retirement plans income (expense)	1,054	(726)	1,983
Loss on debt extinguishment	—	—	(393)
Other, net	(107)	13	(32)
TOTAL OTHER INCOME (EXPENSE)	451	(1,349)	817
INCOME BEFORE INCOME TAXES	5,363	4,896	6,674
PROVISION FOR INCOME TAXES	1,391	1,070	1,443
NET INCOME	\$ 3,972	\$ 3,826	\$ 5,231
BASIC EARNINGS PER COMMON SHARE	\$ 15.60	\$ 14.54	\$ 19.79
DILUTED EARNINGS PER COMMON SHARE	\$ 15.48	\$ 14.33	\$ 19.45

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN MILLIONS)

	Years Ended May 31,		
	2023	2022	2021
NET INCOME	\$ 3,972	\$ 3,826	\$ 5,231
OTHER COMPREHENSIVE INCOME (LOSS):			
Foreign currency translation adjustments, net of tax benefit/(expense) of \$25 in 2023, \$17 in 2022, and (\$13) in 2021	(214)	(363)	422
Amortization of prior service credits and other, net of tax benefits of \$2 in 2023, \$2 in 2022, and \$3 in 2021	(10)	(8)	(7)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(224)	(371)	415
COMPREHENSIVE INCOME	<u>\$ 3,748</u>	<u>\$ 3,455</u>	<u>\$ 5,646</u>

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

	Years ended May 31,		
	2023	2022	2021
OPERATING ACTIVITIES			
Net income	\$ 3,972	\$ 3,826	\$ 5,231
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	4,176	3,970	3,793
Provision for uncollectible accounts	696	403	577
Other noncash items including leases and deferred income taxes	3,472	2,931	2,887
Stock-based compensation	182	190	200
Retirement plans mark-to-market adjustments	(650)	1,578	(1,176)
Loss on extinguishment of debt	—	—	393
Goodwill and other asset impairment charges	117	—	—
Business optimization and realignment costs, net of payments	23	53	102
Changes in assets and liabilities:			
Receivables	782	(310)	(1,389)
Other current assets	48	(158)	(40)
Pension and postretirement healthcare assets and liabilities, net	(623)	(697)	(317)
Accounts payable and other liabilities	(3,331)	(1,861)	71
Other, net	(16)	(93)	(197)
Cash provided by operating activities	8,848	9,832	10,135
INVESTING ACTIVITIES			
Capital expenditures	(6,174)	(6,763)	(5,884)
Business acquisitions, net of cash acquired	—	—	(228)
Purchase of investments	(84)	(147)	—
Proceeds from asset dispositions and other	84	94	102
Cash used in investing activities	(6,174)	(6,816)	(6,010)
FINANCING ACTIVITIES			
Principal payments on debt	(152)	(161)	(6,318)
Proceeds from debt issuances	—	—	4,212
Proceeds from stock issuances	231	184	740
Dividends paid	(1,177)	(793)	(686)
Purchase of treasury stock	(1,500)	(2,248)	—
Other, net	1	(1)	(38)
Cash used in financing activities	(2,597)	(3,019)	(2,090)
Effect of exchange rate changes on cash	(118)	(187)	171
Net (decrease) increase in cash and cash equivalents	(41)	(190)	2,206
Cash and cash equivalents at beginning of period	6,897	7,087	4,881
Cash and cash equivalents at end of period	\$ 6,856	\$ 6,897	\$ 7,087

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' INVESTMENT
(IN MILLIONS, EXCEPT SHARE DATA)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensi ve Loss	Treasury Stock	Total
Balance at May 31, 2020	\$ 32	\$ 3,356	\$ 25,216	\$ (1,147)	\$ (9,162)	\$ 18,295
Net income	—	—	5,231	—	—	5,231
Other comprehensive gain, net of tax of (\$10)	—	—	—	415	—	415
Cash dividends declared (\$2.60 per share)	—	—	(686)	—	—	(686)
Employee incentive plans and other (5.4 million shares issued)	—	125	56	—	732	913
Balance at May 31, 2021	32	3,481	29,817	(732)	(8,430)	24,168
Net income	—	—	3,826	—	—	3,826
Other comprehensive loss, net of tax of \$19	—	—	—	(371)	—	(371)
Purchase of treasury stock (8.9 million shares)	—	(9)	—	—	(2,239)	(2,248)
Cash dividends declared (\$3.00 per share)	—	—	(793)	—	—	(793)
Employee incentive plans and other (1.4 million shares issued)	—	240	(68)	—	185	357
Balance at May 31, 2022	32	3,712	32,782	(1,103)	(10,484)	24,939
Net income	—	—	3,972	—	—	3,972
Other comprehensive loss, net of tax of \$27	—	—	—	(224)	—	(224)
Purchase of treasury stock (9.2 million shares)	—	(82)	—	—	(1,418)	(1,500)
Cash dividends declared (\$5.86 per share)	—	—	(1,495)	—	—	(1,495)
Employee incentive plans and other (1.9 million shares issued)	—	139	—	—	257	396
Balance at May 31, 2023	\$ 32	\$ 3,769	\$ 35,259	\$ (1,327)	\$ (11,645)	\$ 26,088

The accompanying notes are an integral part of these consolidated financial statements.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF BUSINESS SEGMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS SEGMENTS. FedEx Corporation (“FedEx”) provides a broad portfolio of transportation, e-commerce, and business services through companies competing collectively, operating collaboratively, and innovating digitally as one FedEx. Our primary operating companies are Federal Express Corporation (“FedEx Express”), the world’s largest express transportation company; FedEx Ground Package System, Inc. (“FedEx Ground”), a leading North American provider of small-package ground delivery services; and FedEx Freight Corporation (“FedEx Freight”), a leading North American provider of less-than-truckload (“LTL”) freight transportation services. These companies represent our major service lines and, along with FedEx Corporate Services, Inc. (“FedEx Services”), constitute our reportable segments. Our FedEx Services segment provides sales, marketing, information technology, communications, customer service, technical support, billing and collection services, and certain back-office functions that support our operating segments.

FISCAL YEARS. Except as otherwise specified, references to years indicate our fiscal year ended May 31, 2023 or ended May 31 of the year referenced.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of FedEx and its subsidiaries, substantially all of which are wholly owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

REVENUE RECOGNITION.

Satisfaction of Performance Obligation

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the basis of revenue recognition in accordance with U.S. generally accepted accounting principles (“GAAP”). To determine the proper revenue recognition method for contracts, we evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. For most of our contracts, the customer contracts with us to provide distinct services within a single contract, primarily transportation services. Substantially all of our contracts with customers for transportation services include only one performance obligation, the transportation services themselves. However, if a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. We frequently sell standard transportation services with observable standalone sales prices. In these instances, the observable standalone sales are used to determine the standalone selling price.

For transportation services, revenue is recognized over time as we perform the services in the contract because of the continuous transfer of control to the customer. Our customers receive the benefit of our services as the goods are transported from one location to another. If we were unable to complete delivery to the final location, another entity would not need to reperform the transportation service already performed. As control transfers over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. We use the cost-to-cost measure of progress for our package delivery contracts because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue, including ancillary or accessorial fees and reductions for estimated customer incentives, is recorded proportionally as costs are incurred. Costs to fulfill include labor and other direct costs and an allocation of indirect costs. For our FedEx Freight and freight forwarding contracts, an output method of progress based on time-in-transit is utilized as the timing of costs incurred does not best depict the transfer of control to the customer.

We also provide customized customer-specific solutions, such as supply chain management solutions and inventory and service parts logistics, through which we provide the service of integrating a complex set of tasks and components into a single capability. For these arrangements, the majority of which are conducted by our FedEx Logistics, Inc. (“FedEx Logistics”) operating segment, the entire contract is accounted for as one performance obligation. For these performance obligations, we typically have a right to consideration from customers in an amount that corresponds directly with the value to the customers of our performance completed to date, and as such we recognize revenue in the amount to which we have a right to invoice the customer.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract Modification

Contracts are often modified to account for changes in the rates we charge our customers or to add additional distinct services. We consider contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications that add distinct goods or services are treated as separate contracts. Contract modifications that do not add distinct goods or services typically change the price of existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are distinct.

Variable Consideration

Certain contracts contain customer incentives, guaranteed service refunds, and other provisions that can either increase or decrease the transaction price. These incentives are generally awarded based upon achieving certain performance metrics. We estimate variable consideration as the most likely amount to which we expect to be entitled. We include estimated amounts of revenue, which may be reduced by incentives or other contract provisions, in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based on an assessment of anticipated customer spending and all information (historical, current, and forecasted) that is reasonably available to us.

Principal vs. Agent Considerations

Transportation services are provided with the use of employees and independent businesses that contract with FedEx. GAAP requires us to evaluate whether our businesses themselves promise to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on our evaluation of the control model, we determined that FedEx is the principal to the transaction for most of these services and revenue is recognized on a gross basis based on the transfer of control to the customer. Costs associated with independent businesses providing transportation services are recognized as incurred and included in the caption "Purchased transportation" in the accompanying consolidated statements of income.

Our contract logistics, global trade services, and certain transportation businesses engage in certain transactions wherein they act as agents. Revenue from these transactions is recorded on a net basis. Net revenue includes billings to customers less third-party charges, including transportation or handling costs, fees, commissions, and taxes and duties.

Contract Assets and Liabilities

Contract assets include billed and unbilled amounts resulting from in-transit shipments, as we have an unconditional right to payment only once all performance obligations have been completed (e.g., packages have been delivered). Contract assets are generally classified as current, and the full balance is converted each quarter based on the short-term nature of the transactions. Our contract liabilities consist of advance payments and billings in excess of revenue. The full balance of deferred revenue is converted each quarter based on the short-term nature of the transactions.

Gross contract assets related to in-transit shipments totaled \$686 million and \$861 million at May 31, 2023 and May 31, 2022, respectively. Contract assets net of deferred unearned revenue were \$484 million and \$623 million at May 31, 2023 and May 31, 2022, respectively. Contract assets are included within current assets in the accompanying consolidated balance sheets. Contract liabilities related to advance payments from customers were \$19 million and \$8 million at May 31, 2023 and May 31, 2022, respectively. Contract liabilities are included within current liabilities in the accompanying consolidated balance sheets.

Payment Terms

Certain of our revenue-producing transactions are subject to taxes and duties, such as sales tax, assessed by governmental authorities. We present these revenues net of tax. Under the typical payment terms of our customer contracts, the customer pays at periodic intervals (e.g., every 15 days, 30 days, 45 days, etc.) for shipments included on invoices received. It is not customary business practice to extend payment terms past 90 days, and as such, we do not have a practice of including a significant financing component within our revenue contracts with customers.

Disaggregation of Revenue

See Note 14 for disclosure of disaggregated revenue for the periods ended May 31. This presentation is consistent with how we organize our segments internally for making operating decisions and measuring performance.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CREDIT RISK. We routinely grant credit to many of our customers for transportation and business services without collateral. The risk of credit loss in our trade receivables is substantially mitigated by our credit evaluation process, short collection terms, and sales to a large number of customers, as well as the low revenue per transaction for most of our services. Allowances for potential credit losses are determined based on historical experience and the impact of current economic conditions. Historically, credit losses have been within management's expectations.

ADVERTISING. Advertising and promotion costs are expensed as incurred and are classified in other operating expenses. Advertising and promotion expenses were \$435 million in 2023, \$470 million in 2022, and \$428 million in 2021.

CASH EQUIVALENTS. Cash in excess of current operating requirements is invested in short-term, interest-bearing instruments with maturities of three months or less at the date of purchase and is stated at cost, which approximates market value.

SPARE PARTS, SUPPLIES, AND FUEL. Spare parts (principally aircraft-related) are reported at weighted-average cost. Allowances for obsolescence are provided for spare parts currently identified as excess or obsolete as well as expected to be on hand at the date the aircraft are retired from service. These allowances are provided over the estimated useful life of the related aircraft and engines. The majority of our supplies and fuel are reported at weighted-average cost.

PROPERTY AND EQUIPMENT. Expenditures for major additions, improvements, and flight equipment modifications are capitalized when such costs are determined to extend the useful life of the asset or are part of the cost of acquiring the asset. Expenditures for equipment overhaul costs of engines or airframes prior to their operational use are capitalized as part of the cost of such assets as they are costs required to ready the asset for its intended use. Maintenance and repairs costs are charged to expense as incurred, except for certain aircraft engine maintenance costs incurred under third-party service agreements. These agreements result in costs being expensed based on cycles or hours flown and are subject to annual escalation. These service contracts transfer risk to third-party service providers and generally fix the amount we pay for maintenance to the service provider as a rate per cycle or flight hour, in exchange for maintenance and repairs under a predefined maintenance program. We capitalize certain direct internal and external costs associated with the development of internal-use software, including implementation of cloud computing service arrangements. Gains and losses on sales of property used in operations are classified within operating expenses and historically have been nominal.

For financial reporting purposes, we record depreciation and amortization of property and equipment on a straight-line basis over the asset's service life or related lease term, if shorter. For income tax purposes, depreciation is computed using accelerated methods when applicable.

The depreciable lives and net book value of our property and equipment are as follows (dollars in millions):

	Range	Net Book Value at May 31,	
		2023	2022
Wide-body aircraft and related equipment	15 to 30 years	\$ 16,973	\$ 15,949
Narrow-body and feeder aircraft and related equipment	5 to 30 years	2,038	2,163
Package handling and ground support equipment	3 to 15 years	7,562	6,447
Information technology	3 to 7 years	1,859	1,907
Vehicles and trailers	3 to 15 years	3,996	4,004
Facilities and other	1 to 33 years	8,270	7,621

Substantially all property and equipment have no material residual values. The majority of aircraft costs are depreciated on a straight-line basis over 15 to 30 years. We periodically evaluate the estimated service lives and residual values used to depreciate our property and equipment.

Depreciation and amortization expense, excluding gains and losses on sales of property and equipment used in operations, was \$4.2 billion in 2023, \$4.0 billion in 2022, and \$3.8 billion in 2021. Depreciation and amortization expense includes amortization of assets under finance leases.

CAPITALIZED INTEREST. Interest on funds used to finance the acquisition and modification of aircraft, including purchase deposits, construction of certain facilities, and development of certain software up to the date the asset is ready for its intended use, is capitalized and included in the cost of the asset if the asset is actively under construction. Capitalized interest was \$77 million in 2023, \$62 million in 2022, and \$68 million in 2021.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

We operate integrated transportation networks so cash flows for most of our operating assets to be held and used are assessed at a network level, not at an individual asset level, for our analysis of impairment.

In the fourth quarter of 2023, we made the decision to permanently retire from service 12 Boeing MD-11F aircraft and 25 related engines, four Boeing 757-200 aircraft and one related engine, and two Airbus A300-600 aircraft and eight related engines, to align with the plans of FedEx Express to modernize its aircraft fleet, improve its global network, and better align air network capacity to match current and anticipated shipment volumes. As a consequence of this decision, a noncash impairment charge of \$70 million (\$54 million, net of tax, or \$0.21 per diluted share) was recorded in the fourth quarter. All of these aircraft were temporarily idled and not in revenue service.

In the normal management of our aircraft fleet, we routinely idle aircraft and engines temporarily due to maintenance cycles and adjustments of our network capacity to match seasonality and overall customer demand levels. Temporarily idled assets are classified as available-for-use, and we continue to record depreciation expense associated with these assets. These temporarily idled assets are assessed for impairment and remaining life on a quarterly basis. The criteria for determining whether an asset has been permanently removed from service (and, as a result, is potentially impaired) include, but are not limited to, our global economic outlook and the impact of our outlook on our current and projected volume levels, including capacity needs during our peak shipping seasons; the introduction of new fleet types or decisions to permanently retire an aircraft fleet from operations; and changes to planned service expansion activities. At May 31, 2023, we had 11 aircraft temporarily idled. These aircraft have been idled for an average of five months and are expected to return to revenue service.

GOODWILL. Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. Several factors give rise to goodwill in our acquisitions, such as the expected benefits from synergies of the combination and the existing workforce of the acquired business. Goodwill is reviewed at least annually for impairment. In our evaluation of goodwill impairment, we perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, we proceed to test goodwill for impairment, including comparing the fair value of the reporting unit to its carrying value (including attributable goodwill). Fair value for our reporting units is determined using an income or market approach incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates, and expected capital expenditures. Fair value determinations may include both internal and third-party valuations. Unless circumstances otherwise dictate, we perform our annual impairment testing in the fourth quarter. See Note 4 for additional information.

INTANGIBLE ASSETS. Intangible assets primarily include customer relationships, technology assets, and trademarks acquired in business combinations. Intangible assets are amortized over periods ranging from 1 to 15 years, either on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized. See Note 4 for additional information.

PENSION AND POSTRETIREMENT HEALTHCARE PLANS. Our defined benefit pension and other postretirement benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, investment returns on plan assets, salary increases, expected retirement, mortality, employee turnover, and future increases in healthcare costs. We determine the discount rate (which is required to be the rate at which the projected benefit obligation ("PBO") could be effectively settled as of the measurement date) with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match our expected benefit payments in future years. We use the fair value of plan assets to calculate the expected return on assets ("EROA") for interim and segment reporting purposes. Our EROA is a judgmental estimate which is reviewed on an annual basis and revised as appropriate.

The accounting guidance related to employers' accounting for defined benefit pension and other postretirement plans requires recognition in the balance sheet of the funded status of these plans. We use "mark-to-market" (or "MTM") accounting and immediately recognize changes in the fair value of plan assets and actuarial gains or losses in our results annually in the fourth quarter each year. The annual MTM adjustment is recognized at the corporate level and does not impact segment results. The remaining components of pension and postretirement healthcare expense, primarily service and interest costs and the EROA, are recorded on a quarterly basis. Only service cost is recognized in segment level operating results.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME TAXES. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The liability method is used to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These sources of income rely heavily on estimates to make this determination and, thus, there is a risk that these estimates will have to be revised as new information is received. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established. We believe we will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets in our consolidated balance sheets that are not subject to valuation allowances. We record the taxes for global intangible low-taxed income as a period cost.

We recognize liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we must determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis or when new information becomes available to management. These reevaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit, and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

We classify interest related to income tax liabilities as interest expense, and if applicable, penalties are recognized as a component of income tax expense. The income tax liabilities and accrued interest and penalties that are due within one year of the balance sheet date are presented as current liabilities. The noncurrent portion of our income tax liabilities and accrued interest and penalties are recorded in the caption "Other liabilities" in the accompanying consolidated balance sheets.

SELF-INSURANCE ACCRUALS. We are self-insured for costs associated with workers' compensation claims, vehicle accidents, property and cargo loss, general business liabilities, and benefits paid under employee disability programs. Accruals are primarily based on the actuarially estimated cost of claims, which includes incurred-but-not-reported claims. Current workers' compensation claims, vehicle and general liability, and long-term disability are included in accrued expenses. We self-insure up to certain limits that vary by operating company and type of risk. Claims costs are recognized on a gross basis and a receivable is recorded for amounts covered by third-party insurance. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance and premium expense.

We are also self-insured for certain short-term employee healthcare claims which are included within other accrued expenses.

LEASES. We lease certain facilities, aircraft, equipment, and vehicles under operating and finance leases. A determination of whether a contract contains a lease is made at the inception of the arrangement. Our leased facilities include national, regional, and metropolitan sorting facilities; retail facilities; and administrative buildings.

Our leases generally contain options to extend or terminate the lease. We reevaluate our leases on a regular basis to consider the economic and strategic incentives of exercising the renewal options, and how they align with our operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement. Short-term leases with an initial term of 12 months or less are not recognized in the right-to-use asset and lease liability on the consolidated balance sheets.

The lease liabilities are measured at the lease commencement date and determined using the present value of the minimum lease payments not yet paid and our incremental borrowing rate, which approximates the rate at which we would borrow, on a collateralized basis, over the term of a lease in the applicable currency environment. The interest rate implicit in the lease is generally not determinable in transactions where we are the lessee.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For real estate leases, we account for lease components and non-lease components (such as common area maintenance) as a single lease component. Certain real estate leases require additional payments based on sales volume and index-based rate increases, as well as reimbursement for real estate taxes, common area maintenance, and insurance, which are expensed as incurred as variable lease costs. Certain leases contain fixed lease payments for items such as real estate taxes, common area maintenance, and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use asset and lease liability. See Note 7 for additional information.

DERIVATIVE FINANCIAL INSTRUMENTS. Our risk management strategy includes the select use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with our risk management policies, we do not hold or issue derivative instruments for trading or speculative purposes. All derivative instruments are recognized in the financial statements at fair value, regardless of the purpose or intent for holding them.

When we become a party to a derivative instrument and intend to apply hedge accounting, we formally document the hedge relationship and the risk management objective for undertaking the hedge, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge.

If a derivative is designated as a cash flow hedge, the entire change in the fair value of the hedging instrument included in the assessment of hedge effectiveness is recorded in other comprehensive income. For net investment hedges, the entire change in the fair value is recorded in other comprehensive income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, along with the change in fair value of any derivatives not designated in a hedging relationship, is immediately recognized in the income statement. We do not have any derivatives designated as a cash flow hedge for any period presented. As of May 31, 2023, we designated €151 million of debt as a net investment hedge to reduce the volatility of the U.S. dollar value of a portion of our net investment in a euro-denominated consolidated subsidiary. As of May 31, 2023, the hedge remains effective.

FOREIGN CURRENCY TRANSLATION. Translation gains and losses of foreign operations that use local currencies as the functional currency are accumulated and reported, net of applicable deferred income taxes, as a component of Accumulated Other Comprehensive Income (“AOCI”) within common stockholders’ investment. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local currency are included in the caption “Other, net” in the accompanying consolidated statements of income and were immaterial for each period presented.

EMPLOYEES UNDER COLLECTIVE BARGAINING ARRANGEMENTS. The pilots at FedEx Express, who are a small number of its total employees, are represented by the Air Line Pilots Association, International (“ALPA”) and are employed under a collective bargaining agreement that took effect on November 2, 2015. The agreement became amendable in November 2021. Bargaining for a successor agreement began in May 2021, and in November 2022 the National Mediation Board began actively mediating the negotiations. In May 2023, FedEx Express reached a tentative successor agreement with ALPA. The tentative agreement was approved by ALPA’s FedEx Express Master Executive Council in June 2023 and is being presented to FedEx Express’s pilots for ratification during the first quarter of 2024. The ongoing ratification process has no effect on our operations. Once ratified, we expect to amend our pension plan offered to FedEx Express pilots resulting in a remeasurement of our pension benefit obligation.

EQUITY INVESTMENT. Equity investments in private companies for which we do not have the ability to exercise significant influence are accounted for at cost, with adjustments for observable changes in prices or impairments, and are classified as “Other assets” on our consolidated balance sheets with adjustments recognized in “Other income (expense), net” on our consolidated statements of income. Each reporting period, we perform a qualitative assessment to evaluate whether the investment is impaired. Our assessment includes a review of available recent operating results and trends, recent acquisitions and/or dispositions of the investee securities, and other publicly available data. If the investment is impaired, we write it down to its estimated fair value.

Equity investments that have readily determinable fair values are included in “Other assets” on our consolidated balance sheets and measured at fair value with changes recognized in “Other income (expense), net” on our consolidated statements of income.

As of May 31, 2023, such investments were not material to our financial position or results of operations.

STOCK-BASED COMPENSATION. The accounting guidance related to share-based payments requires recognition of compensation expense for stock-based awards using a fair value method. We use the Black-Scholes option pricing model to calculate the fair value of stock options. The value of restricted stock awards is based on the stock price of the award on the grant date. We record stock-based compensation expense in the “Salaries and employee benefits” caption in the accompanying consolidated statements of income. We issue new shares or treasury shares from stock repurchases to cover employee stock option exercises and restricted stock grants.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TREASURY SHARES. In December 2021, our Board of Directors authorized a stock repurchase program of up to \$5 billion of FedEx common stock. As part of the repurchase program, we entered into an accelerated share repurchase (“ASR”) agreement with a bank in October 2022 to repurchase an aggregate of \$1.5 billion of our common stock.

During 2023, 9.2 million shares were repurchased under the ASR agreement. The final number of shares delivered upon settlement of the ASR agreement was determined based on a discount to the volume-weighted average price of our stock during the term of the transaction. The repurchased shares were accounted for as a reduction to common stockholders’ investment in the accompanying consolidated balance sheets and resulted in a reduction of the outstanding shares used to calculate the weighted-average common shares outstanding for basic and diluted earnings per share.

In 2023, we repurchased 9.2 million shares of FedEx common stock at an average price of \$163.39 per share for a total of \$1.5 billion. In 2022, we repurchased 8.9 million shares of FedEx common stock at an average price of \$253.85 per share for a total of \$2.2 billion. As of May 31, 2023, approximately \$2.6 billion remained available to use for repurchases under the program.

Shares under the program may be repurchased from time to time in the open market or in privately negotiated transactions. The timing and volume of repurchases are at the discretion of management, based on the capital needs of the business, the market price of FedEx common stock, and general market conditions. No time limits were set for the completion of the program, and the program may be suspended or discontinued at any time.

DIVIDENDS DECLARED PER COMMON SHARE. On April 5, 2023, our Board of Directors declared a quarterly cash dividend of \$1.26 per share of common stock. The dividend was paid on July 3, 2023 to stockholders of record as of the close of business on June 12, 2023. Each quarterly dividend payment is subject to review and approval by our Board of Directors, and we evaluate our dividend payment amount on an annual basis. There are no material restrictions on our ability to declare dividends, nor are there any material restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, or advances.

BUSINESS OPTIMIZATION AND REALIGNMENT COSTS. In the second quarter of 2023, FedEx announced DRIVE, a comprehensive program to improve the company’s long-term profitability. This program includes a business optimization plan to drive efficiency among our transportation segments and lower our overhead and support costs. We plan to consolidate our sortation facilities and equipment, reduce pickup-and-delivery routes, and optimize our enterprise linehaul network by moving beyond discrete collaboration to an end-to-end optimized network through Network 2.0.

In the fourth quarter of 2023, we announced “one FedEx”, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network under the respected FedEx brand. FedEx Freight will continue to provide LTL freight transportation services as a stand-alone and separate company under Federal Express Corporation. The organizational redesign will be implemented in phases with full implementation expected in June 2024. One FedEx will help facilitate our DRIVE transformation program to improve long-term profitability, including Network 2.0, the multi-year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U.S. and Canada.

We have announced the implementation of Network 2.0 in more than 20 markets, including the phased transition of all FedEx Ground operations and personnel in Canada to FedEx Express beginning in April 2024. Under Network 2.0, FedEx will continue to utilize both FedEx employees and contracted service providers.

We incurred costs associated with our business optimization activities of \$273 million (\$209 million, net of tax, or \$0.81 per diluted share) in 2023. These costs were primarily related to consulting services, severance, professional fees, and idling our operations in Russia. These business optimization costs are included in Corporate, other, and eliminations and FedEx Express.

In 2021, FedEx Express announced a workforce reduction plan in Europe related to the network integration of TNT Express. The plan affected approximately 5,000 employees in Europe across operational teams and back-office functions and was completed during 2023. We incurred costs of \$36 million (\$27 million, net of tax, or \$0.11 per diluted share) in 2023 and \$278 million (\$214 million, net of tax, or \$0.80 per diluted share) in 2022 associated with our business realignment activities. These costs are related to certain employee severance arrangements. Payments under this program totaled approximately \$118 million in 2023 and approximately \$225 million in 2022. The pre-tax cost of our business realignment activities was approximately \$430 million through 2023.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

USE OF ESTIMATES. The preparation of our consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses, and the disclosure of contingent liabilities. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: self-insurance accruals; retirement plan obligations; long-term incentive accruals; tax liabilities; loss contingencies; litigation claims; impairment assessments on long-lived assets (including goodwill) that rely on projections of future cash flows; and purchase price allocations.

NOTE 2: RECENT ACCOUNTING GUIDANCE

New accounting rules and disclosure requirements can significantly affect our reported results and the comparability of our financial statements. We believe the following new accounting guidance is relevant to the readers of our financial statements.

New Accounting Standards and Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, Reference Rate Reform (Topic 848). In December 2022, the FASB issued ASU 2022-06 to temporarily ease the potential burden in accounting for reference rate reform. The standards provide optional expedients and exceptions for applying accounting principles generally accepted in the United States to existing contracts, hedging relationships, and other transactions affected by reference rate reform. The standards apply only to contracts and hedging relationships that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate to be discontinued because of reference rate reform. The standards were effective upon issuance and can generally be applied through December 31, 2024. While there has been no material effect to our financial condition, results of operations, or cash flows from reference rate reform as of May 31, 2023, we continue to monitor our contracts and transactions for potential application of these ASUs.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832), which requires annual disclosures that increase the transparency of transactions involving government grants, including (1) the types of transactions, (2) the accounting for those transactions, and (3) the effect of those transactions on an entity’s financial statements. These changes were effective June 1, 2022. The adoption of this standard did not have a material effect on our consolidated financial statements and related disclosures.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies the guidance of measuring the fair value of equity securities subject to contractual restrictions that prohibit the sale of the equity securities. Our historical accounting is consistent with these clarifications. We early adopted this standard effective September 1, 2022. The adoption of this standard did not have an effect on our consolidated financial statements and related disclosures.

In September 2022, the FASB issued ASU 2022-04, Liabilities-Supplier Finance Programs (Topic 405-50): Disclosure of Supplier Finance Program Obligations, which requires a buyer in a supplier finance program (e.g., reverse factoring) to disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude. The standard does not affect the recognition, measurement, or financial statement presentation of obligations covered by supplier finance programs. We adopted this standard effective June 1, 2023 (fiscal 2024). This standard will not have a material impact on our consolidated financial statements and related disclosures.

NOTE 3: CREDIT LOSSES

We are exposed to credit losses primarily through our trade receivables. We assess ability to pay for certain customers by conducting a credit review, which considers the customer’s established credit rating and our assessment of creditworthiness. We determine the allowance for credit losses on accounts receivable using a combination of specific reserves for accounts that are deemed to exhibit credit loss indicators and general reserves that are determined using loss rates based on historical write-offs by geography and recent forecast information, including underlying economic expectations. We update our estimate of credit loss reserves quarterly, considering recent write-offs, collections information, and underlying economic expectations.

Credit losses were \$696 million in 2023, \$403 million in 2022, and \$577 million in 2021. Our allowance for credit losses was \$472 million as of May 31, 2023 and \$340 million at May 31, 2022.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL. The carrying amount of goodwill attributable to each reportable operating segment and changes therein are as follows (in millions):

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	Corporate, Other, and Eliminations	Total
Goodwill at May 31, 2021	\$ 5,358	\$ 943	\$ 767	\$ 1,966	\$ 9,034
Accumulated impairment charges	—	—	(133)	(1,909)	(2,042)
Balance as of May 31, 2021	5,358	943	634	57	6,992
Other ⁽¹⁾	(433)	(11)	—	(4)	(448)
Balance as of May 31, 2022	4,925	932	634	53	6,544
Impairment charges	—	—	—	(36)	(36)
Other ⁽¹⁾	(72)	—	—	(1)	(73)
Balance as of May 31, 2023	\$ 4,853	\$ 932	\$ 634	\$ 16	\$ 6,435
Accumulated goodwill impairment charges as of May 31, 2023	\$ —	\$ —	\$ (133)	\$ (1,945)	\$ (2,078)

⁽¹⁾ Primarily currency translation adjustments and purchase price allocation-related adjustments.

In connection with our annual impairment testing of goodwill conducted in the fourth quarter of 2023, we recorded an impairment charge of \$36 million for all of the goodwill attributable to our FedEx Dataworks, Inc. (“FedEx Dataworks”) reporting unit. The key factors contributing to the goodwill impairment were underperformance of the ShopRunner business during 2023, including base business erosion, and the failure to attain the level of operating synergies and revenue and profit growth anticipated at the time of acquisition. Based on these factors, our outlook for the business changed in the fourth quarter of 2023.

Our other reporting units with significant recorded goodwill include FedEx Express, FedEx Ground, and FedEx Freight. We evaluated these reporting units during the fourth quarters of 2023 and 2022 and the estimated fair value of each of these reporting units exceeded their carrying values as of the end of 2023 and 2022; therefore, we do not believe that any of these reporting units were impaired as of the balance sheet dates.

OTHER INTANGIBLE ASSETS. The summary of our intangible assets and related accumulated amortization at May 31, 2023 and 2022 is as follows (in millions):

	2023			2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	\$ 583	\$ (369)	\$ 214	\$ 617	\$ (340)	\$ 277
Technology	62	(42)	20	64	(40)	24
Trademarks and other	1	(1)	—	1	(1)	—
Total	<u>\$ 646</u>	<u>\$ (412)</u>	<u>\$ 234</u>	<u>\$ 682</u>	<u>\$ (381)</u>	<u>\$ 301</u>

During the fourth quarter of 2023, we reviewed long-lived assets at FedEx Dataworks for impairment. Based on our reviews, we recognized an \$11 million asset impairment charge related to customer relationships from the ShopRunner acquisition.

Amortization expense for intangible assets was \$52 million in 2023, \$52 million in 2022, and \$49 million in 2021.

Expected amortization expense for the next five years is as follows (in millions):

2024	\$ 47
2025	46
2026	46
2027	44
2028	42

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: SELECTED CURRENT LIABILITIES

The components of selected current liability captions at May 31 were as follows (in millions):

	2023	2022
Accrued salaries and employee benefits		
Salaries	\$ 828	\$ 751
Employee benefits, including variable compensation	689	834
Compensated absences	958	946
	<u>\$ 2,475</u>	<u>\$ 2,531</u>
Accrued expenses		
Self-insurance accruals	\$ 1,730	\$ 1,646
Taxes other than income taxes	305	532
Other	2,712	3,010
	<u>\$ 4,747</u>	<u>\$ 5,188</u>

NOTE 6: LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

The components of long-term debt (net of discounts and debt issuance costs), along with maturity dates for the years subsequent to May 31, 2023, are as follows (in millions):

			May 31,	
	Interest Rate %	Maturity	2023	2022
Senior secured debt:				
	1.875	2034	\$ 831	\$ 881
Senior unsecured debt:				
	3.25	2026	748	747
	3.40	2028	497	497
	4.20	2029	398	397
	3.10-4.25	2030	1,737	1,735
	2.40	2031	991	990
	4.90	2034	496	496
	3.90	2035	495	495
	3.25	2041	740	740
	3.875-4.10	2043	985	985
	5.10	2044	743	742
	4.10	2045	641	641
	4.55-4.75	2046	2,463	2,462
	4.40	2047	736	736
	4.05	2048	987	987
	4.95	2049	836	836
	5.25	2050	1,226	1,226
	4.50	2065	246	246
	7.60	2098	237	237
Euro senior unsecured debt:				
	0.45	2026	537	533
	1.625	2027	1,341	1,332
	0.45	2029	641	637
	1.30	2032	534	530
	0.95	2033	693	688
Total senior unsecured debt			18,948	18,915
Finance lease obligations			800	468
			20,579	20,264
Less current portion			126	82
			<u>\$ 20,453</u>	<u>\$ 20,182</u>

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Interest on our U.S. dollar fixed-rate notes is paid semi-annually. Interest on our euro fixed-rate notes is paid annually. The weighted-average interest rate on long-term debt was 3.5% as of May 31, 2023. Long-term debt, including current maturities and exclusive of finance leases, had estimated fair values of \$17.5 billion at May 31, 2023 and \$18.8 billion at May 31, 2022. The estimated fair values were determined based on quoted market prices and the current rates offered for debt with similar terms and maturities. The fair value of our long-term debt is classified as Level 2 within the fair value hierarchy. This classification is defined as a fair value determined using market-based inputs other than quoted prices that are observable for the liability, either directly or indirectly.

We have a shelf registration statement filed with the Securities and Exchange Commission (“SEC”) that allows us to sell, in one or more future offerings, any combination of our unsecured debt securities and common stock and allows pass-through trusts formed by FedEx Express to sell, in one or more future offerings, pass-through certificates.

FedEx Express has issued \$970 million of Pass-Through Certificates, Series 2020-1AA (the “Certificates”) with a fixed interest rate of 1.875% due in February 2034 utilizing pass-through trusts. The Certificates are secured by 19 Boeing aircraft with a net book value of \$1.7 billion at May 31, 2023. The payment obligations of FedEx Express in respect of the Certificates are fully and unconditionally guaranteed by FedEx. FedEx Express is using the proceeds from the issuance for general corporate purposes.

The following table sets forth the future scheduled principal payments due by fiscal year on our long-term debt (in millions):

	Debt Principal
2024	\$ 52
2025	52
2026	1,340
2027	1,398
2028	552
Thereafter	16,606
Subtotal	<u>20,000</u>
Discount and debt issuance costs	(221)
Total debt	<u>\$ 19,779</u>

We have a \$2.0 billion five-year credit agreement (the “Five-Year Credit Agreement”) and a \$1.5 billion three-year credit agreement (the “Three-Year Credit Agreement”) and together with the Five-Year Credit Agreement, the “Credit Agreements”). The Five-Year Credit Agreement expires in March 2026 and includes a \$250 million letter of credit sublimit. The Three-Year Credit Agreement expires in March 2025. The Credit Agreements are available to finance our operations and other cash flow needs. As of May 31, 2023, no amounts were outstanding under the Credit Agreements, no commercial paper was outstanding, and \$250 million of the letter of credit sublimit was unused under the Five-Year Credit Agreement. Outstanding commercial paper reduces the amount available to borrow under the Credit Agreements.

Our Credit Agreements contain a financial covenant requiring us to maintain a ratio of debt to consolidated earnings (excluding noncash retirement plans MTM adjustments, noncash pension service costs, and noncash asset impairment charges) before interest, taxes, depreciation, and amortization (“adjusted EBITDA”) of not more than 3.5 to 1.0, calculated as of the last day of each fiscal quarter on a rolling four-quarters basis. The ratio of our debt to adjusted EBITDA was 2.08 to 1.0 at May 31, 2023.

The financial covenant discussed above is the only significant restrictive covenant in the Credit Agreements. The Credit Agreements contain other customary covenants that do not, individually or in the aggregate, materially restrict the conduct of our business. We are in compliance with the financial covenant and all other covenants in the Credit Agreements and do not expect the covenants to affect our operations, including our liquidity or expected funding needs. If we failed to comply with the financial covenant or any other covenants in the Credit Agreements, our access to financing could become limited.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: LEASES

The following table is a summary of the components of net lease cost for the period ended May 31 (in millions):

	2023	2022
Operating lease cost	\$ 3,300	\$ 3,100
Finance lease cost:		
Amortization of right-of-use assets	36	26
Interest on lease liabilities	18	16
Total finance lease cost	54	42
Short-term lease cost	531	556
Variable lease cost	1,435	1,368
Net lease cost	\$ 5,320	\$ 5,066

Supplemental cash flow information related to leases for the period ended May 31 is as follows (in millions):

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 3,207	\$ 2,981
Operating cash flows paid for interest portion of finance leases	15	15
Financing cash flows paid for principal portion of finance leases	94	99
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,317	\$ 3,489
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 414	\$ 56

Supplemental balance sheet information related to leases as of May 31 is as follows (dollars in millions):

	2023	2022
Operating leases:		
Operating lease right-of-use assets, net	\$ 17,347	\$ 16,613
Current portion of operating lease liabilities	2,390	2,443
Operating lease liabilities	15,363	14,487
Total operating lease liabilities	\$ 17,753	\$ 16,930
Finance leases:		
Net property and equipment	\$ 821	\$ 455
Current portion of long-term debt	75	32
Long-term debt, less current portion	725	436
Total finance lease liabilities	\$ 800	\$ 468
Weighted-average remaining lease term		
Operating leases	9.5	9.8
Finance leases	27.5	30.8
Weighted-average discount rate		
Operating leases	3.42 %	2.85 %
Finance leases	4.22 %	3.45 %

We utilize certain aircraft, land, facilities, retail locations, and equipment under finance and operating leases that expire at various dates through 2060. We leased 1% of our total aircraft fleet under operating leases as of May 31, 2023 and 2% as of May 31, 2022. A portion of our supplemental aircraft are leased by us under agreements that provide for cancellation upon 30 days' notice. Our leased facilities include national, regional, and metropolitan sorting facilities; retail facilities; and administrative buildings.

FEDEX CORPORATION
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A summary of future minimum lease payments under noncancelable operating and finance leases with an initial or remaining term in excess of one year at May 31, 2023 is as follows (in millions):

	Aircraft and Related Equipment	Facilities and Other	Total Operating Leases	Finance Leases	Total Leases
2024	\$ 103	\$ 2,790	\$ 2,893	\$ 104	\$ 2,997
2025	84	2,708	2,792	52	2,844
2026	82	2,419	2,501	46	2,547
2027	81	2,137	2,218	37	2,255
2028	81	1,836	1,917	37	1,954
Thereafter	90	8,411	8,501	1,207	9,708
Total lease payments	521	20,301	20,822	1,483	22,305
Less imputed interest	(35)	(3,034)	(3,069)	(683)	(3,752)
Present value of lease liability	<u>\$ 486</u>	<u>\$ 17,267</u>	<u>\$ 17,753</u>	<u>\$ 800</u>	<u>\$ 18,553</u>

While certain of our lease agreements contain covenants governing the use of the leased assets or require us to maintain certain levels of insurance, none of our lease agreements include material financial covenants or limitations.

As of May 31, 2023, FedEx has entered into additional leases which have not yet commenced and are therefore not part of the right-of-use asset and liability. These leases are generally for build-to-suit facilities and have undiscounted future payments of approximately \$1.8 billion and will commence when FedEx gains beneficial access to the leased asset. Commencement dates are expected to be from 2024 to 2026.

FedEx Express makes payments under certain leveraged operating leases that are sufficient to pay principal and interest on certain pass-through certificates. The pass-through certificates are not direct obligations of, or guaranteed by, FedEx or FedEx Express.

We are the lessee under certain leases covering a portion of our leased aircraft in which the lessors are trusts established specifically to purchase, finance, and lease these aircraft to us. These leasing entities are variable interest entities. We are not the primary beneficiary of the leasing entities, as the lease terms are at market at the inception of the lease and do not include a residual value guarantee, fixed-price purchase option, or similar feature that obligates us to absorb decreases in value or entitles us to participate in increases in the value of the aircraft. Therefore, we are not required to consolidate any of these entities as the primary beneficiary. Our maximum exposure under these leases is included in the summary of future minimum lease payments.

NOTE 8: PREFERRED STOCK

Our Certificate of Incorporation authorizes the Board of Directors, at its discretion, to issue up to 4,000,000 shares of preferred stock. The stock is issuable in series, which may vary as to certain rights and preferences, and has no par value. As of May 31, 2023, none of these shares had been issued.

NOTE 9: ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides changes in AOCI, net of tax, reported in the consolidated financial statements for the years ended May 31 (in millions; amounts in parentheses indicate debits to AOCI):

	2023	2022	2021
Foreign currency translation loss:			
Balance at beginning of period	\$ (1,148)	\$ (785)	\$ (1,207)
Translation adjustments	(214)	(363)	422
Balance at end of period	<u>(1,362)</u>	<u>(1,148)</u>	<u>(785)</u>
Retirement plans adjustments:			
Balance at beginning of period	45	53	60
Reclassifications from AOCI	(10)	(8)	(7)
Balance at end of period	<u>35</u>	<u>45</u>	<u>53</u>
Accumulated other comprehensive loss at end of period	<u>\$ (1,327)</u>	<u>\$ (1,103)</u>	<u>\$ (732)</u>

FEDEX CORPORATION
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The following table presents details of the reclassifications from AOCI for the years ended May 31 (in millions; amounts in parentheses indicate debits to earnings):

	Amount Reclassified from AOCI			Affected Line Item in the Income Statement
	2023	2022	2021	
Amortization of retirement plans prior service credits and other, before tax	\$ 12	\$ 10	\$ 10	Other retirement plans income (expense)
Income tax benefit	(2)	(2)	(3)	Provision for income taxes
AOCI reclassifications, net of tax	<u>\$ 10</u>	<u>\$ 8</u>	<u>\$ 7</u>	Net income

NOTE 10: STOCK-BASED COMPENSATION

Our total stock-based compensation expense for the years ended May 31 was as follows (in millions):

	2023	2022	2021
Stock-based compensation expense	\$ 182	\$ 190	\$ 200

We have two types of equity-based compensation: stock options and restricted stock.

STOCK OPTIONS. Under the provisions of our incentive stock plan, key employees and non-employee directors may be granted options to purchase shares of our common stock at a price not less than its fair market value on the date of grant. Vesting requirements are determined at the discretion of the Compensation and Human Resources Committee of our Board of Directors. Option-vesting periods range from one to four years, with the majority of our options vesting ratably over four years. Compensation expense associated with these awards is recognized on a straight-line basis over the requisite service period of the award.

RESTRICTED STOCK. Under the terms of our incentive stock plan, restricted shares of our common stock are awarded to key employees. All restrictions on the shares expire ratably over a four-year period. Shares are valued at the market price on the date of award. The terms of our restricted stock provide for continued vesting subsequent to the employee's retirement. Compensation expense associated with these awards is recognized on a straight-line basis over the shorter of the requisite service period or the stated vesting period.

ASSUMPTIONS. The key assumptions for the Black-Scholes valuation method include the expected life of the option, stock price volatility, a risk-free interest rate, and dividend yield. The following table includes the weighted-average Black-Scholes value per share of our stock option grants, the intrinsic value of options exercised (in millions), and the key weighted-average assumptions used in the valuation calculations for options granted during the years ended May 31, followed by a discussion of our methodology for developing each of the assumptions used in the valuation model:

	2023	2022	2021
Weighted-average Black-Scholes value per share	\$ 63.44	\$ 80.21	\$ 44.11
Intrinsic value of options exercised	\$ 160	\$ 150	\$ 593
Black-Scholes assumptions:			
Expected lives	6.4 years	6.4 years	6.4 years
Expected volatility	34%	32%	30%
Risk-free interest rate	1.68%	0.65%	1.32%
Dividend yield	1.694%	0.983%	1.710%

The expected life represents an estimate of the period of time options are expected to remain outstanding, and we examine actual stock option exercises to determine the expected life of the options. Options granted have a maximum term of 10 years. Expected volatilities are based on the actual changes in the market value of our stock and are calculated using daily market value changes from the date of grant over a past period equal to the expected life of the options. The risk-free interest rate is the U.S. Treasury Strip rate posted at the date of grant having a term equal to the expected life of the option. The expected dividend yield is the annual rate of dividends per share over the exercise price of the option.

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The following table summarizes information regarding stock option activity for the year ended May 31, 2023:

	Stock Options			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions) ⁽¹⁾
Outstanding at June 1, 2022	15,328,425	\$ 190.01		
Granted	2,404,617	\$ 215.75		
Exercised	(1,752,518)	\$ 130.05		
Forfeited	(789,335)	\$ 210.79		
Outstanding at May 31, 2023	15,191,189	\$ 199.89	6.1	\$ 520
Exercisable	9,585,480	\$ 195.96	4.9	\$ 350
Expected to vest	5,131,059	\$ 206.64	8.1	\$ 156
Available for future grants	14,062,311			

⁽¹⁾ Only presented for options with market value at May 31, 2023 in excess of the exercise price of the option.

The options granted during 2023 are primarily related to our principal annual stock option grant in June 2022.

The following table summarizes information regarding vested and unvested restricted stock for the year ended May 31, 2023:

	Restricted Stock	
	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 1, 2022	432,481	\$ 192.30
Granted	160,286	\$ 208.57
Vested	(204,356)	\$ 190.33
Forfeited	(8,477)	\$ 205.10
Unvested at May 31, 2023	379,934	\$ 199.91

During the year ended May 31, 2022, there were 115,172 shares of restricted stock granted with a weighted-average fair value of \$276.26 per share. During the year ended May 31, 2021, there were 335,004 shares of restricted stock granted with a weighted-average fair value of \$155.19 per share.

Stock option vesting during the years ended May 31 was as follows:

	Stock Options	
	Vested during the year	Fair value (in millions)
2023	2,711,215	\$ 137
2022	3,005,727	\$ 138
2021	2,492,039	\$ 115

As of May 31, 2023, there was \$230 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. This compensation expense is expected to be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately two years.

Total shares outstanding or available for grant related to equity compensation at May 31, 2023 represented 11% of the total outstanding common and equity compensation shares and equity compensation shares available for grant.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share for the years ended May 31 was as follows (in millions, except per share amounts):

	2023	2022	2021
Basic earnings per common share:			
Net earnings allocable to common shares ⁽¹⁾	\$ 3,966	\$ 3,819	\$ 5,220
Weighted-average common shares	254	263	264
Basic earnings per common share	<u>\$ 15.60</u>	<u>\$ 14.54</u>	<u>\$ 19.79</u>
Diluted earnings per common share:			
Net earnings allocable to common shares ⁽¹⁾	\$ 3,966	\$ 3,819	\$ 5,221
Weighted-average common shares	254	263	264
Dilutive effect of share-based awards	2	3	4
Weighted-average diluted shares	256	266	268
Diluted earnings per common share	<u>\$ 15.48</u>	<u>\$ 14.33</u>	<u>\$ 19.45</u>
Anti-dilutive options excluded from diluted earnings per common share	<u>7.4</u>	<u>4.0</u>	<u>3.5</u>

⁽¹⁾ Net earnings available to participating securities were immaterial in all periods presented.

NOTE 12: INCOME TAXES

The components of the provision for income taxes for the years ended May 31 were as follows (in millions):

	2023	2022	2021
Current provision			
Domestic:			
Federal	\$ 579	\$ 311	\$ 199
State and local	157	120	158
Foreign	209	317	284
	<u>945</u>	<u>748</u>	<u>641</u>
Deferred provision			
Domestic:			
Federal	369	267	667
State and local	37	21	70
Foreign	40	34	65
	<u>446</u>	<u>322</u>	<u>802</u>
	<u>\$ 1,391</u>	<u>\$ 1,070</u>	<u>\$ 1,443</u>

Pre-tax earnings of foreign operations for 2023, 2022, and 2021 were \$0.6 billion, \$1.4 billion, and \$1.8 billion, respectively. These amounts represent only a portion of total results associated with international shipments and do not represent our international results of operations.

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A reconciliation of total income tax expense and the amount computed by applying the statutory federal income tax to income before income taxes for the years ended May 31 is as follows (dollars in millions):

	2023	2022	2021
Taxes computed at federal statutory rate	\$ 1,126	\$ 1,028	\$ 1,401
(Decreases) increases in income tax from:			
U.S. and foreign return-to-provision adjustments	(44)	(142)	—
State and local income taxes, net of federal benefit	152	116	179
Foreign operations	96	115	138
Non-deductible expenses	40	48	53
Uncertain tax positions	60	(18)	65
Benefits from share-based payments	(18)	(13)	(69)
Valuation allowance	59	33	14
Foreign tax rate enactments	3	(30)	(61)
Benefit from U.S. tax loss carryback to prior years	—	—	(279)
Goodwill impairment charges	8	—	—
Other, net	(91)	(67)	2
Provision for income taxes	\$ 1,391	\$ 1,070	\$ 1,443
Effective Tax Rate	25.9%	21.9%	21.6%

The 2023 tax provision was negatively impacted by an expense of \$46 million related to a write-down and valuation allowance on certain foreign tax credit carryforwards due to operational changes which impacted the determination of the realizability of the deferred tax asset. The 2023 tax provision was also negatively impacted by lower earnings in certain non-U.S. jurisdictions.

The 2022 tax provision includes a benefit of \$142 million related to revisions of prior year tax estimates for actual tax return results. The 2022 tax provision was also favorably impacted by changes in our corporate legal entity structure.

The Coronavirus Aid, Relief, and Economic Security Act allowed a five-year carryback period for tax losses generated in 2019 through 2021. The 2021 tax provision includes a benefit of \$279 million from an increase in our 2020 tax loss carried back to 2015, when the U.S. federal income tax rate was 35%. The increase in our 2020 tax loss was attributable to accelerated depreciation deductions and voluntary contributions to our tax-qualified U.S. domestic pension plans (“U.S. Pension Plans”). The 2021 tax provision also includes a benefit of \$66 million from a tax rate increase in the Netherlands applied to our deferred tax asset balances and was negatively impacted by an increase in uncertain tax positions for matters in multiple jurisdictions.

We regularly assess the need for cash in the U.S., as well as in our foreign subsidiaries, and will occasionally repatriate back to the U.S. excess earnings above working capital needs that can be repatriated with an immaterial tax cost. We assert all other earnings, both historical and current in our foreign subsidiaries, are permanently reinvested and therefore no deferred taxes or withholding taxes have been provided, including deferred taxes on any additional outside basis difference (e.g., stock basis differences attributable to acquisition or other permanent differences). Determination of the amount of unrecognized deferred income tax liability related to any remaining undistributed foreign earnings and additional outside basis differences is not practicable.

The significant components of deferred tax assets and liabilities as of May 31 were as follows (in millions):

	2023	2022
	Deferred Tax Assets	Deferred Tax Liabilities
Property, equipment, leases, and intangibles	\$ 4,608	\$ 10,965
Employee benefits	876	1,203
Self-insurance accruals	1,085	931
Other	454	524
Net operating loss/credit carryforwards	1,149	1,079
Valuation allowances	(471)	(413)
	\$ 7,701	\$ 11,027
	\$ 7,701	\$ 10,674

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The net deferred tax liabilities as of May 31 have been classified in the balance sheets as follows (in millions):

	2023	2022
Noncurrent deferred tax assets ⁽¹⁾	\$ 1,163	\$ 1,207
Noncurrent deferred tax liabilities	(4,489)	(4,093)
	<u>\$ (3,326)</u>	<u>\$ (2,886)</u>

⁽¹⁾ Noncurrent deferred tax assets are included in the line item “Other Assets” in our accompanying consolidated balance sheets.

We have approximately \$3.4 billion of net operating loss carryovers in various foreign jurisdictions, \$1.5 billion of state operating loss carryovers, and \$153 million of U.S. federal operating loss carryovers. The valuation allowances primarily represent amounts reserved for operating loss carryforwards, which expire over varying periods starting in 2024. Therefore, we establish valuation allowances if it is more likely than not that deferred income tax assets will not be realized. We believe that we will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets in our consolidated balance sheets. The increase in the valuation allowance balance during 2023 includes \$37 million related to foreign net operating losses and \$22 million for foreign tax credit carryforwards. See Note 1 for more information on our policy for assessing the recoverability of deferred tax assets and valuation allowances.

We are subject to taxation in the U.S. and various U.S. state, local, and foreign jurisdictions. We are currently under examination by the Internal Revenue Service for the 2016 through 2019 tax years. It is reasonably possible that certain income tax return proceedings will be completed during the next 12 months and could result in a change in our balance of unrecognized tax benefits. However, we believe we have recorded adequate amounts of tax, including interest and penalties, for any adjustments expected to occur.

During 2021, we filed suit in U.S. District Court for the Western District of Tennessee challenging the validity of a tax regulation related to the one-time transition tax on unrepatriated foreign earnings, which was enacted as part of the Tax Cuts and Jobs Act (“TCJA”). Our lawsuit seeks to have the court declare this regulation invalid and order the refund of overpayments of U.S. federal income taxes for 2018 and 2019 attributable to the denial of foreign tax credits under the regulation. We have recorded a cumulative benefit of \$223 million through 2023 attributable to our interpretation of the TCJA and the Internal Revenue Code. On March 31, 2023, the District Court ruled that the regulation is invalid and contradicts the plain terms of the tax code. We continue to work towards obtaining a final judgment for the applicable refund amounts due to the regulation being invalid. Once the District Court enters a final judgment, the U.S. government could file an appeal with the U.S. Court of Appeals for the Sixth Circuit. If we are ultimately unsuccessful in defending our position, we may be required to reverse the benefit previously recorded.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended May 31 is as follows (in millions):

	2023	2022	2021
Balance at beginning of year	\$ 169	\$ 192	\$ 129
Increases for tax positions taken in the current year	3	14	3
Increases for tax positions taken in prior years	68	8	69
Decreases for tax positions taken in prior years	(7)	(15)	(6)
Settlements	(15)	(32)	(6)
Changes due to currency translation	(6)	2	3
Balance at end of year	<u>\$ 212</u>	<u>\$ 169</u>	<u>\$ 192</u>

Our liabilities recorded for uncertain tax positions include \$211 million at May 31, 2023 and \$167 million at May 31, 2022 associated with positions that, if favorably resolved, would provide a benefit to our income tax expense. We classify interest related to income tax liabilities as interest expense and, if applicable, penalties are recognized as a component of income tax expense. The balance of accrued interest and penalties was \$54 million on May 31, 2023 and \$55 million on May 31, 2022. Our consolidated statements of income for 2021 include \$20 million of interest expense associated with our uncertain tax positions while interest and penalty expense for 2023 and 2022 are immaterial.

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It is difficult to predict the ultimate outcome or the timing of resolution for tax positions. Changes may result from the conclusion of ongoing audits, appeals, or litigation in state, local, federal, and foreign tax jurisdictions, or from the resolution of various proceedings between U.S. and foreign tax authorities. It is reasonably possible that the amount of the benefit with respect to certain of our unrecognized tax positions will increase or decrease within the next 12 months. However, estimates of the amounts or ranges for individual matters where a material change is reasonably possible cannot be made. We believe we have recorded adequate amounts of tax reserves, including interest and penalties, for any adjustments that may occur.

NOTE 13: RETIREMENT PLANS

We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans, and postretirement healthcare plans.

The accounting guidance related to postretirement benefits requires recognition in the balance sheet of the funded status of defined benefit pension and other postretirement benefit plans, and the recognition in either expense or AOCI of unrecognized gains or losses and prior service costs or credits. We use MTM accounting for the recognition of our actuarial gains and losses related to our defined benefit pension and postretirement healthcare plans as described in Note 1. The funded status is measured as the difference between the fair value of the plan's assets and the PBO of the plan.

A summary of our retirement plan costs over the past three years is as follows (in millions):

	2023	2022	2021
Defined benefit pension plans	\$ 236	\$ (2)	\$ 88
Defined contribution plans	955	824	685
Postretirement healthcare plans	92	89	83
Retirement plans MTM (gain) loss	(650)	1,578	(1,176)
	<u>\$ 633</u>	<u>\$ 2,489</u>	<u>\$ (320)</u>

The components of the MTM adjustments are as follows (in millions):

	2023	2022	2021
Actual versus expected return on assets	\$ 2,492	\$ 5,109	\$ (1,712)
Discount rate change	(3,395)	(4,486)	(397)
Demographic experience:			
Current year actuarial loss	142	504	302
Change in future assumptions	110	314	685
Termination of TNT Express Netherlands pension plan	—	224	—
Pension plan amendments, including curtailment gains	1	(87)	(54)
Total MTM (gain) loss	<u>\$ (650)</u>	<u>\$ 1,578</u>	<u>\$ (1,176)</u>

2023

Net of all fees and expenses, the actual rate of return on our U.S. Pension Plan assets was -2.70%, which was lower than our expected rate of return of 6.50%. Negative portfolio returns derived due to losses in both equities and our fixed-income assets due to market volatility and rising interest rates. The weighted-average discount rate for all our pension and postretirement healthcare plans increased from 4.21% at May 31, 2022 to 5.17% at May 31, 2023. The demographic experience in 2023 reflects an update to our short-term cash balance interest crediting assumption.

2022

Net of all fees and expenses, the actual rate of return on our U.S. Pension Plan assets was -10.8%, which was lower than our expected rate of return of 6.50%. Negative portfolio returns derived due to losses in both equities and our fixed-income assets due to market volatility and rising interest rates. The weighted-average discount rate for all our pension and postretirement healthcare plans increased from 3.11% at May 31, 2021 to 4.21% at May 31, 2022. The demographic experience in 2022 reflects an update to our mortality assumption and a current year actuarial loss due to unfavorable experience compared to various demographic assumptions.

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2021

Net of all fees and expenses, the actual rate of return on our U.S. Pension Plan assets was 12.90%, which was higher than our expected return of 6.75%. Positive portfolio returns derived from our return-seeking assets were partially offset by losses from our fixed-income assets due to rising long-term interest rates. The weighted-average discount rate for all our pension and postretirement healthcare plans increased from 3.05% at May 31, 2020 to 3.11% at May 31, 2021. The demographic experience in 2021 reflects an update to our mortality and retirement rate assumptions and a current-year actuarial loss due to unfavorable experience compared to various demographic assumptions.

PENSION PLANS. Our largest pension plan covers certain U.S. employees age 21 and over, with at least one year of service. Pension benefits for most employees are accrued under a cash balance formula we call the Portable Pension Account (“PPA”). Under the PPA, the retirement benefit is expressed as a dollar amount in a notional account that grows with annual credits based on pay, age and years of credited service, and interest on the notional account balance. The PPA benefit is payable as a lump sum or an annuity at retirement at the election of the employee. The plan interest credit rate varies from year to year based on a U.S. Treasury index. Prior to 2009, certain employees earned benefits using a traditional pension formula (based on average earnings and years of service). Benefits under this formula were capped on May 31, 2008 for most employees.

We also sponsor or participate in nonqualified benefit plans covering certain of our U.S. employee groups and other pension plans covering certain of our international employees. The international defined benefit pension plans provide benefits primarily based on earnings and years of service and are funded in compliance with local laws and practices. The majority of our international obligations are for defined benefit pension plans in the Netherlands and the United Kingdom.

In 2020, we announced the closing of our U.S.-based defined benefit pension plans to new non-union employees hired on or after January 1, 2020. We introduced an all-401(k) plan retirement benefit structure for eligible employees with a higher company match of up to 8% across all U.S.-based operating companies in 2022. During calendar 2021, current eligible employees under the PPA pension formula were given a one-time option to continue to be eligible for pension compensation credits under the existing PPA formula and remain in the existing 401(k) plan with its company match of up to 3.5%, or to cease receiving compensation credits under the PPA and move to the new 401(k) plan with the higher match of up to 8%. Changes to the new 401(k) plan structure became effective January 1, 2022. See Note 1 for additional information on expected amendments to our pension plan offered to FedEx Express pilots.

POSTRETIREMENT HEALTHCARE PLANS. Certain of our subsidiaries offer medical, dental, and vision coverage to eligible U.S. retirees and their eligible dependents and a small number of international employees. U.S. employees covered by the principal plan become eligible for these benefits at age 55 and older, if they have permanent, continuous service of at least 10 years after attainment of age 45 if hired prior to January 1, 1988, or at least 20 years after attainment of age 35 if hired on or after January 1, 1988. Postretirement healthcare benefits are capped at 150% of the 1993 per capita projected employer cost, which has been reached under most plans, so these benefits are not subject to future inflation.

Effective January 1, 2018, certain of our U.S. postretirement healthcare benefits were converted to a lump-sum benefit in a notional retiree health reimbursement account (HRA) for eligible participants. The HRA is available to reimburse a participant for qualifying healthcare premium costs and limits the company liability to the HRA account balance. The amount of the credit is based on age at January 1, 2018 or upon age at retirement thereafter. In connection with this change, retiree health coverage was closed to most new employees hired on or after January 1, 2018.

PENSION PLAN ASSUMPTIONS. The accounting for pension and postretirement healthcare plans includes numerous assumptions, such as: discount rates; expected long-term investment returns on plan assets; future salary increases; employee turnover; mortality; and retirement ages.

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Weighted-average actuarial assumptions used to determine the benefit obligations and net periodic benefit cost of our plans are as follows:

	U.S. Pension Plans			International Pension Plans			Postretirement Healthcare Plans		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Discount rate used to determine benefit obligation	5.20 %	4.25 %	3.23 %	4.21 %	3.09 %	1.83 %	5.37 %	4.35 %	2.81 %
Discount rate used to determine net periodic benefit cost	4.25	3.23	3.14	3.09	1.83	1.79	4.35	2.81	2.95
Rate of increase in future compensation levels used to determine benefit obligation	5.13	5.11	5.06	3.04	2.89	2.83	—	—	—
Rate of increase in future compensation levels used to determine net periodic benefit cost	5.11	5.06	5.17	2.89	2.83	2.19	—	—	—
Expected long-term rate of return on assets	6.50	6.50	6.75	2.26	2.39	2.71	—	—	—
Interest crediting rate used to determine benefit obligation	4.23	4.00	4.00	2.40	3.70	2.50	—	—	—
Interest crediting rate used to determine net periodic benefit cost	4.00	4.00	4.00	3.70	2.50	2.00	—	—	—

Our U.S. Pension Plan assets are invested primarily in publicly tradable securities, and our pension plans hold only a minimal investment in FedEx common stock that is entirely at the discretion of third-party pension fund investment managers. As part of our strategy to manage pension costs and funded status volatility, we follow a liability-driven investment strategy to better align plan assets with liabilities.

Establishing the expected future rate of investment return on our pension assets is a judgmental matter, which we review on an annual basis and revise as appropriate. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected compound geometric return we can reasonably expect those investment classes to earn over time, net of all fees and expenses; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

For consolidated pension expense, we assumed a 6.50% expected long-term rate of return on our U.S. Pension Plan assets in 2023 and 2022 and 6.75% in 2021. The historical annual return on our U.S. Pension Plan assets, calculated on a compound geometric basis, was 5.70%, net of all fees and expenses, for the 15-year period ended May 31, 2023.

The investment strategy for our U.S. Pension Plan assets is to utilize a diversified mix of public equities, fixed-income, and alternative investments to earn a long-term investment return that meets our pension plan obligations. Our largest asset classes are Corporate Fixed Income Securities and Government Fixed Income Securities (which are largely benchmarked against the Bloomberg Barclays Long Government, Bloomberg Barclays Long Corporate, or the Bloomberg Barclays 20+ STRIPS indices), and U.S. and non-U.S. Equities (which are mainly benchmarked to the S&P 500 Index and MSCI indices). Accordingly, we do not have any significant concentrations of risk. Active management strategies are utilized within the plan in an effort to realize investment returns in excess of market indices. Our investment strategy also includes the limited use of derivative financial instruments on a discretionary basis to improve investment returns and manage portfolio risk.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used for investments measured at fair value:

- *Cash and cash equivalents.* Level 1 investments include cash, cash equivalents, and foreign currency valued using exchange rates. Level 2 investments include short-term investment funds, which are collective funds priced at a constant value by the administrator of the funds.
- *Domestic, international, and global equities.* Level 1 investments are valued at the closing price or last trade reported on the major market on which the individual securities are traded.
- *Fixed income.* We determine the fair value of Level 2 corporate bonds, U.S. and non-U.S. government securities, and other fixed-income securities by using bid evaluation pricing models or quoted prices of securities with similar characteristics.
- *Alternative Investments.* The valuation of Level 3 investments requires significant judgment due to the absence of quoted market prices, the inherent lack of liquidity, and the long-term nature of such assets. Investments in private equity, debt, real estate, hedge funds, and other private investments are valued at estimated fair value based on quarterly financial information received from the investment advisor and/or general partner. These estimates incorporate factors such as contributions and distributions, market transactions, market comparables, and performance multiples.

The fair values of investments by level and asset category and the weighted-average asset allocations for our U.S. Pension Plans and our most significant international pension plans at the measurement date are presented in the following table (in millions):

Asset Class (U.S. Plans)	Plan Assets at Measurement Date					
	2023					
	Fair Value	Actual %	Target Range % ⁽¹⁾	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	\$ 815	3 %	0 - 5%	\$ 22	\$ 793	
Equities			30 - 50			
U.S. large cap equity ⁽²⁾	2,928	12		1,268		
International equities ⁽²⁾	2,821	11		1,912		
Global equities ⁽²⁾	1,192	5				
U.S. SMID cap equity	768	3		764	4	
Fixed-income securities			40 - 60			
Corporate	6,403	26			6,403	
Government ⁽²⁾	4,334	17			2,497	
Mortgage-backed and other ⁽²⁾	1,386	6			527	
Alternative investments ⁽²⁾	4,196	17	0 - 15			\$ 937
Other	(17)	—		(33)	16	
Total U.S. plan assets	<u>\$ 24,826</u>	<u>100 %</u>		<u>\$ 3,933</u>	<u>\$ 10,240</u>	<u>\$ 937</u>
Asset Class (International Plans)						
Cash and cash equivalents	\$ 7	2 %		\$ 7		
Equities						
International equities						
Global equities						
Fixed-income securities						
Corporate ⁽²⁾	57	17				
Government ⁽²⁾	178	53		159		
Mortgage-backed and other						
Other ⁽²⁾	95	28				
Total international plan assets	<u>\$ 337</u>	<u>100 %</u>		<u>\$ 166</u>	<u>\$ —</u>	

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

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

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Asset Class (U.S. Plans)	Plan Assets at Measurement Date					
	2022					
	Fair Value	Actual %	Target Range % ⁽¹⁾	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and cash equivalents	\$ 1,164	4 %	0 - 5%	\$ 29	\$ 1,135	
Equities			30 - 50			
U.S. large cap equity ⁽²⁾	3,368	13		1,235		
International equities ⁽²⁾	3,445	13		2,551		
Global equities ⁽²⁾	1,245	5				
U.S. SMID cap equity	809	3		804	5	
Fixed-income securities			40 - 60			
Corporate	6,755	26			6,755	
Government ⁽²⁾	4,401	17			2,749	
Mortgage-backed and other ⁽²⁾	1,251	5			381	
Alternative investments ⁽²⁾	3,554	14	0 - 15			\$ 811
Other	(22)	—		(24)	2	
Total U.S. plan assets	<u>\$ 25,970</u>	<u>100 %</u>		<u>\$ 4,595</u>	<u>\$ 11,027</u>	<u>\$ 811</u>
Asset Class (International Plans)						
Cash and cash equivalents	\$ 4	1 %		\$ 4		
Equities						
International equities						
Global equities						
Fixed-income securities						
Corporate ⁽²⁾	62	14				
Government ⁽²⁾	261	60		199		
Mortgage-backed and other						
Other ⁽²⁾	107	25				
Total international plan assets	<u>\$ 434</u>	<u>100 %</u>		<u>\$ 203</u>	<u>\$ —</u>	

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

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

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

	U.S. Pension Plans	
	2023	2022
Balance at beginning of year	\$ 811	\$ 537
Actual return on plan assets:		
Assets held during current year	66	192
Assets sold during the year	28	29
Purchases, sales, and settlements	32	53
Balance at end of year	<u>\$ 937</u>	<u>\$ 811</u>

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The following tables provide a reconciliation of the changes in the pension and postretirement healthcare plans' benefit obligations and fair value of assets over the two-year period ended May 31, 2023 and a statement of the funded status as of May 31, 2023 and 2022 (in millions):

	U.S. Pension Plans		International Pension Plans		Postretirement Healthcare Plans	
	2023	2022	2023	2022	2023	2022
Accumulated Benefit Obligation ("ABO")	<u>\$ 25,825</u>	<u>\$ 27,916</u>	<u>\$ 848</u>	<u>\$ 946</u>		
Changes in PBO and Accumulated Postretirement Benefit Obligation ("APBO")						
PBO/APBO at the beginning of year	\$ 28,702	\$ 31,423	\$ 1,096	\$ 2,611	\$ 1,286	\$ 1,456
Service cost	651	835	44	56	37	48
Interest cost	1,218	1,020	34	32	55	41
Actuarial (gain) loss	(2,882)	(3,356)	(121)	(19)	(138)	(192)
Benefits paid	(1,263)	(1,180)	(35)	(36)	(107)	(113)
Settlements	—	—	(20)	(1,315)	—	—
Other	—	(40)	(8)	(233)	36	46
PBO/APBO at the end of year	<u>\$ 26,426</u>	<u>\$ 28,702</u>	<u>\$ 990</u>	<u>\$ 1,096</u>	<u>\$ 1,169</u>	<u>\$ 1,286</u>
Change in Plan Assets						
Fair value of plan assets at the beginning of year	\$ 25,970	\$ 29,785	\$ 663	\$ 2,133	\$ —	\$ —
Actual return on plan assets	(707)	(3,168)	(83)	(4)	—	—
Company contributions	826	533	55	135	71	68
Benefits paid	(1,263)	(1,180)	(35)	(36)	(107)	(113)
Settlements	—	—	(20)	(1,395)	—	—
Other	—	—	(1)	(170)	36	45
Fair value of plan assets at the end of year	<u>\$ 24,826</u>	<u>\$ 25,970</u>	<u>\$ 579</u>	<u>\$ 663</u>	<u>\$ —</u>	<u>\$ —</u>
Funded Status of the Plans	<u>\$ (1,600)</u>	<u>\$ (2,732)</u>	<u>\$ (411)</u>	<u>\$ (433)</u>	<u>\$ (1,169)</u>	<u>\$ (1,286)</u>
Amount Recognized in the Balance Sheet at May 31:						
Noncurrent asset	\$ —	\$ —	\$ 88	\$ 126	\$ —	\$ —
Current pension, postretirement healthcare, and other benefit obligations	(39)	(20)	(23)	(19)	(84)	(95)
Noncurrent pension, postretirement healthcare, and other benefit obligations	(1,561)	(2,712)	(476)	(540)	(1,085)	(1,191)
Net amount recognized	<u>\$ (1,600)</u>	<u>\$ (2,732)</u>	<u>\$ (411)</u>	<u>\$ (433)</u>	<u>\$ (1,169)</u>	<u>\$ (1,286)</u>
Amounts Recognized in AOCI and not yet reflected in Net Periodic Benefit Cost:						
Prior service credit and other	\$ (47)	\$ (54)	\$ 4	\$ (3)	\$ —	\$ —

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

	PBO	Fair Value of Plan Assets	Funded Status
2023			
Qualified	\$ 26,269	\$ 24,826	\$ (1,443)
Nonqualified	157	—	(157)
International Plans	990	579	(411)
Total	<u>\$ 27,416</u>	<u>\$ 25,405</u>	<u>\$ (2,011)</u>
2022			
Qualified	\$ 28,524	\$ 25,970	\$ (2,554)
Nonqualified	178	—	(178)
International Plans	1,096	663	(433)
Total	<u>\$ 29,798</u>	<u>\$ 26,633</u>	<u>\$ (3,165)</u>

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

		PBO Exceeds the Fair Value of Plan Assets	
		2023	2022
U.S. Pension Benefits			
Fair value of plan assets	\$	24,826	\$ 25,970
PBO		(26,426)	(28,702)
Net funded status	\$	<u>(1,600)</u>	<u>\$ (2,732)</u>
International Pension Benefits			
Fair value of plan assets	\$	223	\$ 199
PBO		(722)	(758)
Net funded status	\$	<u>(499)</u>	<u>\$ (559)</u>
		ABO Exceeds the Fair Value of Plan Assets	
		2023	2022
U.S. Pension Benefits			
ABO ⁽¹⁾	\$	(25,825)	\$ (27,916)
Fair value of plan assets		24,826	25,970
PBO		(26,426)	(28,702)
Net funded status	\$	<u>(1,600)</u>	<u>\$ (2,732)</u>
International Pension Benefits			
ABO ⁽¹⁾	\$	(562)	\$ (604)
Fair value of plan assets		201	196
PBO		(700)	(754)
Net funded status	\$	<u>(499)</u>	<u>\$ (558)</u>

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

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

	2023	2022
Required	\$ —	\$ —
Voluntary	800	500
	<u>\$ 800</u>	<u>\$ 500</u>

For 2024, no pension contributions are required for our U.S. Pension Plans as they are fully funded under the Employee Retirement Income Security Act. However, we expect to make voluntary contributions of \$800 million to these plans in 2024.

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

	U.S. Pension Plans			International Pension Plans			Postretirement Healthcare Plans		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Service cost	\$ 651	\$ 835	\$ 851	\$ 44	\$ 56	\$ 83	\$ 37	\$ 48	\$ 44
Interest cost	1,218	1,020	959	34	32	43	55	41	39
Expected return on plan assets	(1,688)	(1,910)	(1,786)	(14)	(26)	(52)	—	—	—
Amortization of prior service credit	(7)	(7)	(8)	(2)	(2)	(2)	—	—	—
Actuarial losses (gains) and other	(487)	1,683	(1,288)	(25)	87	(13)	(138)	(192)	125
Net periodic benefit (income) cost	<u>\$ (313)</u>	<u>\$ 1,621</u>	<u>\$ (1,272)</u>	<u>\$ 37</u>	<u>\$ 147</u>	<u>\$ 59</u>	<u>\$ (46)</u>	<u>\$ (103)</u>	<u>\$ 208</u>

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in other comprehensive income were primarily related to amortization of prior service cost in our U.S. Pension Plans of \$7 million in 2023 and \$7 million in 2022 (\$6 million, net of tax, in 2023 and \$6 million, net of tax, in 2022).

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

	U.S. Pension Plans	International Pension Plans	Postretirement Healthcare Plans
2024	\$ 1,392	\$ 54	\$ 84
2025	1,457	47	92
2026	1,544	50	101
2027	1,621	55	110
2028	1,697	60	117
2029-2033	9,471	395	610

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

Future medical benefit claims costs are estimated to increase at an annual rate of 6.40% during 2024, decreasing to an annual growth rate of 4.0% in 2045 and thereafter.

NOTE 14: BUSINESS SEGMENTS AND DISAGGREGATED REVENUE

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

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

In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation, becoming a single company operating a unified, fully integrated air-ground network under the respected FedEx brand. The organizational redesign will be implemented in phases with full implementation expected in June 2024. During the implementation process in fiscal 2024, each of our current reportable segments will continue to have discrete financial information that will be regularly reviewed when evaluating performance and making resource allocation decisions, and aligns with our management reporting structure and our internal financial reporting. In the first quarter of fiscal 2025 when the consolidation plan has been completed, we expect to begin reporting a resegmented structure that will align with an updated management reporting structure and how management will evaluate performance and make resource allocation decisions under one FedEx.

Effective June 1, 2020, the results of FedEx Cross Border Holdings, Inc. ("FedEx Cross Border") are included in the FedEx Express segment prospectively as the impact to prior periods was not material. This change was made to reflect our internal management reporting structure. FedEx Cross Border was subsequently merged into FedEx Express in 2022.

References to our transportation segments include, collectively, the FedEx Express segment, the FedEx Ground segment, and the FedEx Freight segment.

FedEx Services Segment

The FedEx Services segment operates combined sales, marketing, administrative, and information-technology functions in shared services operations for U.S. customers of our major business units and certain back-office support to our operating segments which allows us to obtain synergies from the combination of these functions. For the international regions of FedEx Express, some of these functions are performed on a regional basis and reported by FedEx Express in their natural expense line items.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Other Intersegment Transactions

Corporate and other includes corporate headquarters costs for executive officers and certain legal and finance functions, including certain other costs and credits not attributed to our core business, as well as certain costs associated with developing our “innovate digitally” strategic pillar through our FedEx Dataworks operating segment. FedEx Dataworks is focused on creating solutions to transform the digital and physical experiences of our customers and team members. ShopRunner, Inc. was merged into FedEx Dataworks during 2023.

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

The results of Corporate, other, and eliminations are not allocated to the other business segments.

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

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Corporate, other, and eliminations	Consolidated Total
Revenue						
2023	\$ 42,743	\$ 33,507	\$ 9,632	\$ 301	\$ 3,972	\$ 90,155
2022	45,814	33,232	9,532	253	4,681	93,512
2021	42,078	30,496	7,833	32	3,520	83,959
Depreciation and amortization						
2023	\$ 2,105	\$ 1,020	\$ 387	\$ 529	\$ 135	\$ 4,176
2022	2,007	919	406	513	125	3,970
2021	1,946	843	417	462	125	3,793
Operating income (loss)						
2023 ⁽¹⁾	\$ 1,064	\$ 3,140	\$ 1,925	\$ —	\$ (1,217)	\$ 4,912
2022 ⁽²⁾	2,922	2,642	1,663	—	(982)	6,245
2021 ⁽³⁾	2,810	3,193	1,005	—	(1,151)	5,857
Segment assets⁽⁴⁾						
2023	\$ 47,754	\$ 36,815	\$ 10,197	\$ 7,415	\$ (15,038)	\$ 87,143
2022	47,604	32,645	8,904	8,389	(11,548)	85,994
2021	46,356	29,134	7,371	8,639	(8,723)	82,777

(1) Includes business optimization costs of \$262 million included in “Corporate, other, and eliminations” and business optimization and realignment costs of \$11 million and \$36 million, respectively, included in the FedEx Express segment. Includes noncash other asset impairment charges of \$70 million primarily related to the decision to permanently retire certain aircraft and related engines at FedEx Express and goodwill and other asset impairment charges of \$47 million at FedEx Dataworks related to the ShopRunner acquisition. Also includes \$35 million in connection with a FedEx Ground legal matter included in “Corporate, other, and eliminations.”

(2) Includes business realignment costs of \$278 million included in the FedEx Express segment, as well as a charge of \$210 million related to the pre- and post-judgment interest in connection with a separate FedEx Ground legal matter included in “Corporate, other, and eliminations.” Also includes TNT Express integration expenses of \$132 million included in “Corporate, other, and eliminations” and the FedEx Express segment.

(3) Includes TNT Express integration expenses of \$210 million included in “Corporate, other, and eliminations” and the FedEx Express segment. Also includes business realignment costs of \$116 million included in the FedEx Express segment.

(4) Segment assets include intercompany receivables.

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

	FedEx Express Segment	FedEx Ground Segment	FedEx Freight Segment	FedEx Services Segment	Other	Consolidated Total
2023	\$ 3,055	\$ 1,995	\$ 556	\$ 431	\$ 137	\$ 6,174
2022	3,637	2,139	319	565	103	6,763
2021	3,503	1,446	320	512	103	5,884

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	2023	2022	2021
REVENUE BY SERVICE TYPE			
FedEx Express segment:			
Package:			
U.S. overnight box	\$ 8,916	\$ 9,084	\$ 8,116
U.S. overnight envelope	1,980	1,971	1,791
U.S. deferred	5,128	5,330	4,984
Total U.S. domestic package revenue	16,024	16,385	14,891
International priority	10,939	12,130	10,317
International economy	2,911	2,838	2,632
Total international export package revenue	13,850	14,968	12,949
International domestic ⁽¹⁾	4,043	4,340	4,640
Total package revenue	33,917	35,693	32,480
Freight:			
U.S.	2,906	3,041	3,325
International priority	3,060	3,840	3,030
International economy	1,510	1,653	1,582
International airfreight	166	177	245
Total freight revenue	7,642	8,711	8,182
Other ⁽²⁾	1,184	1,410	1,416
Total FedEx Express segment	42,743	45,814	42,078
FedEx Ground segment	33,507	33,232	30,496
FedEx Freight segment	9,632	9,532	7,833
FedEx Services segment	301	253	32
Other and eliminations ⁽³⁾	3,972	4,681	3,520
	<u>\$ 90,155</u>	<u>\$ 93,512</u>	<u>\$ 83,959</u>
GEOGRAPHICAL INFORMATION⁽⁴⁾			
Revenue:			
U.S.	\$ 64,890	\$ 64,941	\$ 58,792
International:			
FedEx Express segment	23,090	25,564	23,085
FedEx Ground segment	860	857	735
FedEx Freight segment	264	235	190
FedEx Services segment	1	1	1
Other	1,050	1,914	1,156
Total international revenue	25,265	28,571	25,167
	<u>\$ 90,155</u>	<u>\$ 93,512</u>	<u>\$ 83,959</u>
Noncurrent assets:			
U.S.	\$ 56,449	\$ 53,311	\$ 49,407
International	12,084	12,318	12,790
	<u>\$ 68,533</u>	<u>\$ 65,629</u>	<u>\$ 62,197</u>

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

(2) Includes the operations of FedEx Cross Border beginning June 1, 2020.

(3) Includes the FedEx Office, FedEx Logistics, and FedEx Dataworks operating segments.

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

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: SUPPLEMENTAL CASH FLOW INFORMATION

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

	2023	2022	2021
Cash payments for:			
Interest (net of capitalized interest)	\$ 694	\$ 695	\$ 819
Income taxes	\$ 1,096	\$ 751	\$ 1,374
Income tax refunds received	(53)	(574)	(55)
Cash tax payments, net	\$ 1,043	\$ 177	\$ 1,319

NOTE 16: GUARANTEES AND INDEMNIFICATIONS

In conjunction with certain transactions, primarily the lease, sale, or purchase of real estate, operating assets, or services in the ordinary course of business and in connection with business sales and acquisitions, we may provide routine guarantees or indemnifications (e.g., environmental, fuel, tax, and intellectual property infringement), the terms of which range in duration, and often they are not limited and have no specified maximum obligation. The overall maximum potential amount of the obligation under such guarantees and indemnifications cannot be reasonably estimated. Historically, we have not been required to make significant payments under our guarantee or indemnification obligations and no material amounts have been recognized in our financial statements for the underlying fair value of these obligations. As a result of the TNT Express acquisition, we previously assumed a guarantee related to the demerger of TNT Express and PostNL N.V., which occurred in 2011, for pension benefits earned prior to the date of the demerger. The guarantee was released in 2023.

NOTE 17: COMMITMENTS

Annual purchase commitments under various contracts as of May 31, 2023 were as follows (in millions):

	Aircraft and Aircraft Related	Other ⁽¹⁾	Total
2024	\$ 1,710	\$ 741	\$ 2,451
2025	1,560	555	2,115
2026	580	428	1,008
2027	290	178	468
2028	256	93	349
Thereafter	1,656	50	1,706
Total	\$ 6,052	\$ 2,045	\$ 8,097

⁽¹⁾ Primarily information technology and advertising contracts.

The amounts reflected in the table above for purchase commitments represent noncancelable agreements to purchase goods or services. Open purchase orders that are cancelable are not considered unconditional purchase obligations for financial reporting purposes and are not included in the table above.

We have several aircraft modernization programs under way that are supported by the purchase of Boeing 777 Freighter (“B777F”) and Boeing 767-300 Freighter (“B767F”) aircraft. These aircraft are significantly more fuel-efficient per unit than the aircraft types previously utilized, and these expenditures are necessary to achieve significant long-term operating savings and to replace older aircraft. Our ability to delay the timing of these aircraft-related expenditures is limited without incurring significant costs to modify existing purchase agreements.

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of May 31, 2023, we had \$1.0 billion in deposits and progress payments on aircraft purchases and other planned aircraft-related transactions. These deposits are classified in the “Other assets” caption of our accompanying consolidated balance sheets. Aircraft and aircraft-related contracts are subject to price escalations. The following table is a summary of the aircraft we were committed to purchase as of May 31, 2023, with the year of expected delivery:

	Cessna SkyCourier 408	ATR 72-600F	B767F	B777F	Total
2024	15	10	14	4	43
2025	12	6	10	2	30
2026	14	1	—	—	15
2027	—	—	—	—	—
2028	—	—	—	—	—
Thereafter	—	—	—	—	—
Total	41	17	24	6	88

NOTE 18: CONTINGENCIES

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

FedEx Services Employment Lawsuit. In May 2021, FedEx Services was named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of Texas related to the termination of a former FedEx Services employee. The complaint alleged race discrimination and retaliation for complaints of discrimination under Section 1981 of the Civil Rights Act of 1866 and Title VII of the Civil Rights Act of 1964. After trial, in October 2022, the jury found in favor of FedEx Services on the race discrimination claims but awarded the plaintiff compensatory damages of \$1.16 million for emotional distress and punitive damages of \$365 million for the retaliation claims. The court entered final judgment in the amount of the jury verdict. FedEx Services has appealed the verdict to the U.S. Court of Appeals for the Fifth Circuit. FedEx Services argues on appeal that FedEx Services is entitled to judgment as a matter of law on the retaliation claims, plaintiff’s claims were not timely filed, punitive damages are not available as a matter of law and, if allowed, must be reduced to no greater than a single-digit multiple of the award for compensatory damages based on the United States Supreme Court’s ruling in *State Farm v. Campbell*, and the compensatory damages award must be reduced to conform with the evidence and the Fifth Circuit’s maximum recovery rule. FedEx Services argues in the alternative that a new trial should be granted.

FedEx believes ultimate compensatory and punitive damages and pre- and post-judgment interest up to \$75 million will be covered by insurance, subject to a retention of \$5 million. An immaterial loss accrual below the retention has been recorded in FedEx’s consolidated financial statements.

FedEx Ground Negligence Lawsuit. In December 2022, FedEx Ground was named as a defendant in a lawsuit filed in Texas state court related to the alleged kidnapping and first-degree murder of a minor by a driver employed by a service provider engaged by FedEx Ground. The complaint alleges compensatory and punitive damages against FedEx Ground for negligent and gross negligent hiring and retention, as well as negligent entrustment. The service provider and driver are also named as defendants in the lawsuit. An immaterial loss accrual has been recorded in FedEx’s consolidated financial statements. It is reasonably possible that an additional material loss could be incurred. Given the early stage of the litigation, we cannot estimate the amount or range of such additional loss, if any.

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

FEDEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Environmental Matters. SEC regulations require us to disclose certain information about proceedings arising under federal, state, or local environmental provisions if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to the SEC regulations, FedEx uses a threshold of \$1 million or more for purposes of determining whether disclosure of any such proceedings is required. Applying this threshold, there are no environmental matters required to be disclosed for this period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The management of FedEx, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to FedEx management as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of May 31, 2023 (the end of the period covered by this Annual Report).

Assessment of Internal Control Over Financial Reporting

Management's report on our internal control over financial reporting and the report of Ernst & Young LLP with respect to our internal control over financial reporting are presented in "Item 8. Financial Statements and Supplementary Data" of this Annual Report.

Changes in Internal Control Over Financial Reporting

During the third quarter of 2023, we successfully completed a significant migration to an enterprise resource planning, cloud-based financial system for a number of our domestic operating companies, building on the phased migration plan which began with our international operating companies in prior years. We implemented new internal controls in conjunction with the migration. During our fiscal quarter ended May 31, 2023, no change occurred in our internal control over financial reporting, including the new controls described above, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to monitor and assess the effects of remote work on our internal controls to minimize the impact on the design and operating effectiveness of our internal control over financial reporting.

Additional migrations to the cloud-based financial system will occur through 2024 and will result in further changes to our internal controls over financial reporting. As changes occur, we will evaluate quarterly whether such changes materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. The information provided pursuant to Section 13(r) of the Securities Exchange Act of 1934 in Part II, Item 5 ("Other Information") of FedEx's Quarterly Reports on Form 10-Q for the quarters ended [August 31, 2022](#) and [February 28, 2023](#) is incorporated herein by reference.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Information regarding members of the Board of Directors and certain other aspects of FedEx's corporate governance (such as the procedures by which FedEx's stockholders may recommend nominees to the Board of Directors and information about the Audit and Finance Committee, including its members and our "audit committee financial expert") will be presented in FedEx's definitive proxy statement for its 2023 annual meeting of stockholders, which will be held on September 21, 2023, and is incorporated herein by reference. Information regarding executive officers of FedEx is included above in Part I of this Annual Report under the caption "Information About Our Executive Officers" pursuant to the Instruction to Item 401 of Regulation S-K and General Instruction G(3) of Form 10-K. Information regarding FedEx's Code of Conduct is included above in "Item 1. Business" of this Annual Report under the caption "Reputation and Responsibility — Governance."

ITEM 11. EXECUTIVE COMPENSATION

Information regarding director and executive compensation will be presented in FedEx's definitive proxy statement for its 2023 annual meeting of stockholders, which will be held on September 21, 2023, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management and related stockholder matters, as well as equity compensation plan information, will be presented in FedEx's definitive proxy statement for its 2023 annual meeting of stockholders, which will be held on September 21, 2023, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and transactions with related persons (including FedEx's policies and procedures for the review and preapproval of related person transactions) and director independence will be presented in FedEx's definitive proxy statement for its 2023 annual meeting of stockholders, which will be held on September 21, 2023, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the fees for services provided by Ernst & Young LLP during 2023 and 2022 and the Audit and Finance Committee's administration of the engagement of Ernst & Young LLP, including the Committee's preapproval policies and procedures (such as FedEx's Policy on Engagement of Independent Auditor), will be presented in FedEx's definitive proxy statement for its 2023 annual meeting of stockholders, which will be held on September 21, 2023, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) Financial Statements; Financial Statement Schedules

FedEx's consolidated financial statements, together with the notes thereto and the report of Ernst & Young LLP dated July 17, 2023 thereon, are presented in "Item 8. Financial Statements and Supplementary Data" of this Annual Report. FedEx's "Schedule II — Valuation and Qualifying Accounts," together with the report of Ernst & Young LLP dated July 17, 2023 thereon, is presented on pages 129 through 130 of this Annual Report. All other financial statement schedules have been omitted because they are not applicable or the required information is included in FedEx's consolidated financial statements or the notes thereto.

(a)(3) Exhibits

Exhibit Number	Description of Exhibit
	<u>Certificate of Incorporation and Bylaws</u>
3.1	<u>Third Amended and Restated Certificate of Incorporation of FedEx. (Filed as Exhibit 3.1 to FedEx's Current Report on Form 8-K dated September 26, 2011 and filed September 28, 2011, and incorporated herein by reference.)</u>
3.2	<u>Amended and Restated Bylaws of FedEx. (Filed as Exhibit 3.1 to FedEx's Current Report on Form 8-K dated and filed March 6, 2023, and incorporated herein by reference.)</u>
	<u>Long-Term Debt Instruments</u>
* 4.1	<u>Description of Capital Stock and Debt Securities.</u>
4.2	<u>Indenture, dated as of August 8, 2006, between FedEx, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A. (formerly, The Bank of New York Trust Company, N.A.), as trustee. (Filed as Exhibit 4.3 to FedEx's Registration Statement on Form S-3 filed on September 19, 2012, and incorporated herein by reference.)</u>
4.3	<u>Supplemental Indenture No. 3, dated as of July 27, 2012, between FedEx, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. (Filed as Exhibit 4.5 to FedEx's Registration Statement on Form S-3 filed on September 19, 2012, and incorporated herein by reference.)</u>
4.4	<u>Form of 3.875% Note due 2042. (Included in Exhibit 4.5 to FedEx's Registration Statement on Form S-3 filed on September 19, 2012, and incorporated herein by reference.)</u>
4.5	<u>Supplemental Indenture No. 4, dated as of April 11, 2013, between FedEx, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. (Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed April 11, 2013, and incorporated herein by reference.)</u>
4.6	<u>Form of 4.10% Note due 2043. (Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed April 11, 2013, and incorporated herein by reference.)</u>
4.7	<u>Supplemental Indenture No. 5, dated as of January 9, 2014, between FedEx, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. (Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2014, and incorporated herein by reference.)</u>
4.8	<u>Form of 4.900% Note due 2034. (Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2014, and incorporated herein by reference.)</u>
4.9	<u>Form of 5.100% Note due 2044. (Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2014, and incorporated herein by reference.)</u>
4.10	<u>Supplemental Indenture No. 6, dated as of January 9, 2015, between FedEx, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. (Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2015, and incorporated herein by reference.)</u>
4.11	<u>Form of 3.900% Note due 2035. (Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2015, and incorporated herein by reference.)</u>
4.12	<u>Form of 4.100% Note due 2045. (Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2015, and incorporated herein by reference.)</u>

- 4.13 [Form of 4.500% Note due 2065. \(Included in Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed January 9, 2015, and incorporated herein by reference.\)](#)
- 4.14 [Indenture, dated as of October 23, 2015, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed October 23, 2015, and incorporated herein by reference.\)](#)
- 4.15 [Supplemental Indenture No. 1, dated as of October 23, 2015, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed October 23, 2015, and incorporated herein by reference.\)](#)
- 4.16 [Form of 4.750% Note due 2045. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed October 23, 2015, and incorporated herein by reference.\)](#)
- 4.17 [Supplemental Indenture No. 2, dated as of March 24, 2016, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed March 24, 2016, and incorporated herein by reference.\)](#)
- 4.18 [Form of 3.250% Note due 2026. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed March 24, 2016, and incorporated herein by reference.\)](#)
- 4.19 [Form of 4.550% Note due 2046. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed March 24, 2016, and incorporated herein by reference.\)](#)
- 4.20 [Supplemental Indenture No. 3, dated as of April 11, 2016, between FedEx, the Guarantors named therein, Wells Fargo Bank, National Association, as trustee, and Elavon Financial Services Limited, UK Branch, as paying agent. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 11, 2016, and incorporated herein by reference.\)](#)
- 4.21 [Form of 1.625% Note due 2027. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 11, 2016, and incorporated herein by reference.\)](#)
- 4.22 [Supplemental Indenture No. 4, dated as of January 6, 2017, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed January 6, 2017, and incorporated herein by reference.\)](#)
- 4.23 [Form of 4.400% Note due 2047. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed January 6, 2017, and incorporated herein by reference.\)](#)
- 4.24 [Supplemental Indenture No. 5, dated as of January 31, 2018, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed January 31, 2018, and incorporated herein by reference.\)](#)
- 4.25 [Form of 3.400% Note due 2028. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed January 31, 2018, and incorporated herein by reference.\)](#)
- 4.26 [Form of 4.050% Note due 2048. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed January 31, 2018, and incorporated herein by reference.\)](#)
- 4.27 [Supplemental Indenture No. 6, dated as of October 17, 2018, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed October 17, 2018, and incorporated herein by reference.\)](#)
- 4.28 [Form of 4.200% Note due 2028. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed October 17, 2018, and incorporated herein by reference.\)](#)
- 4.29 [Form of 4.950% Note due 2048. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed October 17, 2018, and incorporated herein by reference.\)](#)
- 4.30 [Supplemental Indenture No. 9, dated as of July 24, 2019, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed July 24, 2019, and incorporated herein by reference.\)](#)
- 4.31 [Form of 3.100% Note due 2029. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed July 24, 2019, and incorporated herein by reference.\)](#)
- 4.32 [Supplemental Indenture No. 10, dated as of August 5, 2019, between FedEx, the Guarantors named therein, Wells Fargo Bank, National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed August 5, 2019, and incorporated herein by reference.\)](#)

- 4.33 [Form of 0.450% Note due 2025. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed August 5, 2019, and incorporated herein by reference.\)](#)
- 4.34 [Form of 1.300% Note due 2031. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed August 5, 2019, and incorporated herein by reference.\)](#)
- 4.35 [Supplemental Indenture No. 11, dated as of April 7, 2020, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 7, 2020, and incorporated herein by reference.\)](#)
- 4.36 [Form of 4.250% Note due 2030. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 7, 2020, and incorporated herein by reference.\)](#)
- 4.37 [Form of 5.250% Note due 2050. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 7, 2020, and incorporated herein by reference.\)](#)
- 4.38 [Pass Through Trust Agreement, dated as of August 13, 2020, between FedEx Express and Wilmington Trust Company. \(Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated and filed August 13, 2020 \(the "August 13, 2020 Form 8-K"\), and incorporated herein by reference.\)](#)
- 4.39 [Trust Supplement No. 2020-1AA, dated as of August 13, 2020, between FedEx Express and Wilmington Trust Company, as Trustee, to the Pass Through Trust Agreement dated as of August 13, 2020. \(Filed as Exhibit 4.2 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.40 [Guarantee of FedEx dated August 13, 2020. \(Filed as Exhibit 4.3 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.41 [Form of Pass Through Trust Certificate, Series 2020-1AA. \(Included in Exhibit A to Exhibit 4.2 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.42 [Intercreditor Agreement, dated as of August 13, 2020, among Wilmington Trust Company, as Trustee of the FedEx Pass Through Trust 2020-1AA, BNP Paribas, acting through its New York Branch, as Liquidity Provider, and Wilmington Trust Company, as Subordination Agent. \(Filed as Exhibit 4.5 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.43 [Revolving Credit Agreement \(2020-1AA\), dated as of August 13, 2020, between Wilmington Trust Company, as Subordination Agent, agent and trustee for the trustee of the FedEx Pass Through Trust 2020-1AA and as Borrower, and BNP Paribas, acting through its New York Branch, as Liquidity Provider \(the "Liquidity Provider Revolving Credit Agreement"\). \(Filed as Exhibit 4.6 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- *4.44 [Amendment No. 1, dated May 22, 2023, to the Liquidity Provider Revolving Credit Agreement.](#)
- ** †4.45 [Participation Agreement \(N126FE\), dated as of August 13, 2020, among FedEx Express, Wilmington Trust Company, as Pass Through Trustee under the Pass Through Trust Agreements, Wilmington Trust Company, as Subordination Agent, Wilmington Trust Company, as Loan Trustee, and Wilmington Trust Company, in its individual capacity as set forth therein. \(Filed as Exhibit 4.7 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- *** †4.46 [Participation Agreement \(N869FD\), dated as of August 13, 2020, among FedEx Express, Wilmington Trust Company, as Pass Through Trustee under the Pass Through Trust Agreements, Wilmington Trust Company, as Subordination Agent, Wilmington Trust Company, as Loan Trustee, and Wilmington Trust Company, in its individual capacity as set forth therein. \(Filed as Exhibit 4.8 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- **4.47 [Indenture and Security Agreement \(N126FE\), dated as of August 13, 2020, between FedEx Express and Wilmington Trust Company, as Loan Trustee. \(Filed as Exhibit 4.9 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- ***4.48 [Indenture and Security Agreement \(N869FD\), dated as of August 13, 2020, between FedEx Express and Wilmington Trust Company, as Loan Trustee. \(Filed as Exhibit 4.10 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.49 [Form of Series 2020-1AA Equipment Notes. \(Included in Exhibit 4.9 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- 4.50 [Supplemental Indenture No. 12, dated as of April 29, 2021, between FedEx, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 29, 2021, and incorporated herein by reference.\)](#)

- 4.51 [Form of 2.400% Note due 2031. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 29, 2021, and incorporated herein by reference.\)](#)
- 4.52 [Form of 3.250% Note due 2041. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed April 29, 2021, and incorporated herein by reference.\)](#)
- 4.53 [Supplemental Indenture No. 13, dated as of May 4, 2021, between FedEx, the Guarantors named therein, Wells Fargo Bank, National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed May 4, 2021, and incorporated herein by reference.\)](#)
- 4.54 [Form of 0.450% Note due 2029. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed May 4, 2021, and incorporated herein by reference.\)](#)
- 4.55 [Form of 0.950% Note due 2033. \(Included in Exhibit 4.2 to FedEx's Current Report on Form 8-K dated and filed May 4, 2021, and incorporated herein by reference.\)](#)
- 4.56 [Succession Agreement, dated as of December 13, 2021, among FedEx, the guarantors named therein, The Bank of New York Mellon Trust Company, N.A., and U.S. Bank National Association. \(Filed as Exhibit 4.1 to FedEx's Current Report on Form 8-K dated December 13, 2021 and filed December 16, 2021, and incorporated herein by reference.\)](#)
- 4.57 [Succession Agreement, dated as of December 13, 2021, among FedEx, the guarantors named therein, Computershare Trust Company, N.A., as agent for Wells Fargo Bank, National Association, and U.S. Bank National Association. \(Filed as Exhibit 4.2 to FedEx's Current Report on Form 8-K dated December 13, 2021 and filed December 16, 2021, and incorporated herein by reference.\)](#)

Facility Lease Agreements

- 10.1 [Composite Lease Agreement dated May 21, 2007 \(but effective as of January 1, 2007\) between the Memphis-Shelby County Airport Authority and FedEx Express \(the "Composite Lease Agreement"\). \(Filed as Exhibit 10.1 to FedEx's FY07 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.2 [First Amendment dated December 29, 2009 \(but effective as of September 1, 2008\) to the Composite Lease Agreement. \(Filed as Exhibit 10.1 to FedEx's FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.3 [Second Amendment dated March 30, 2010 \(but effective as of June 1, 2009\) and Third Amendment dated April 27, 2010 \(but effective as of July 1, 2009\), each to the Composite Lease Agreement. \(Filed as Exhibit 10.3 to FedEx's FY10 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.4 [Fourth Amendment dated December 22, 2011 \(but effective as of December 15, 2011\) to the Composite Lease Agreement. \(Filed as Exhibit 10.4 to FedEx's FY12 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.5 [Fifth Amendment dated December 19, 2012 \(but effective as of January 1, 2013\) to the Composite Lease Agreement. \(Filed as Exhibit 10.5 to FedEx's FY13 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.6 [Sixth Amendment dated September 19, 2013 \(but effective as of July 1, 2014\) to the Composite Lease Agreement. \(Filed as Exhibit 10.5 to FedEx's FY14 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.7 [Seventh Amendment dated June 1, 2016 \(but effective as of April 1, 2016\) to the Composite Lease Agreement. \(Filed as Exhibit 10.7 to FedEx's FY16 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.8 [Eighth Amendment dated July 29, 2016 \(but effective as of April 1, 2017\) to the Composite Lease Agreement. \(Filed as Exhibit 10.14 to FedEx's FY17 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.9 [Ninth Amendment dated August 14, 2017 \(but effective as of September 1, 2017\) to the Composite Lease Agreement. \(Filed as Exhibit 10.9 to FedEx's FY18 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.10 [Tenth Amendment dated May 22, 2018 \(but effective as of May 1, 2018\) to the Composite Lease Agreement. \(Filed as Exhibit 10.10 to FedEx's FY18 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.11 [Eleventh Amendment dated January 22, 2019 \(but effective as of January 1, 2019\) to the Composite Lease Agreement. \(Filed as Exhibit 10.9 to FedEx's FY19 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)

- †10.12 [Twelfth Amendment dated April 9, 2019 \(but effective as of April 1, 2019\) to the Composite Lease Agreement. \(Filed as Exhibit 10.12 to FedEx's FY19 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †10.13 [Thirteenth Amendment dated and effective July 26, 2021 to the Composite Lease Agreement. \(Filed as Exhibit 10.3 to FedEx's FY22 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- †10.14 [Fourteenth Amendment dated March 14, 2022 \(but effective as of February 1, 2022\) to the Composite Lease Agreement. \(Filed as Exhibit 10.14 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †10.15 [Fifteenth Amendment dated and effective May 19, 2022 to the Composite Lease Agreement. \(Filed as Exhibit 10.15 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- *†10.16 [Sixteenth Amendment dated June 27, 2023 \(but effective as of May 1, 2023\) to the Composite Lease Agreement.](#)

Aircraft-Related Agreements

- †^10.17 [Boeing 777 Freighter Purchase Agreement dated as of November 7, 2006 between The Boeing Company and FedEx Express \(the "Boeing 777 Freighter Purchase Agreement"\). \(Filed as Exhibit 10.16 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.18 [Supplemental Agreement No. 1 dated as of June 16, 2008, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.13 to FedEx's FY08 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.19 [Supplemental Agreement No. 2 dated as of July 14, 2008 to the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.3 to FedEx's FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- †^10.20 [Supplemental Agreement No. 3 dated as of December 15, 2008 \(and related side letters\) to the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.19 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.21 [Supplemental Agreement No. 4 dated as of January 9, 2009 \(and related side letters\) to the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.20 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.22 [Side letters dated May 29, 2009 and May 19, 2009, each amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.21 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.23 [Supplemental Agreement No. 5 dated as of January 11, 2010 to the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.22 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.24 [Supplemental Agreement No. 6 dated as of March 17, 2010, Supplemental Agreement No. 7 dated as of March 17, 2010, and Supplemental Agreement No. 8 \(and related side letters\) dated as of April 30, 2010, each amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.23 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.25 [Supplemental Agreement No. 9 dated as of June 18, 2010, Supplemental Agreement No. 10 dated as of June 18, 2010, Supplemental Agreement No. 11 \(and related side letter\) dated as of August 19, 2010, and Supplemental Agreement No. 13 \(and related side letter\) dated as of August 27, 2010, each amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.24 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.26 [Supplemental Agreement No. 12 \(and related side letter\) dated as of September 3, 2010, Supplemental Agreement No. 14 \(and related side letter\) dated as of October 25, 2010, and Supplemental Agreement No. 15 \(and related side letter\) dated as of October 29, 2010, each amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.25 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.27 [Supplemental Agreement No. 16 \(and related side letters\) dated as of January 31, 2011, and Supplemental Agreement No. 17 dated as of February 14, 2011, each amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.26 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.28 [Supplemental Agreement No. 18 \(and related side letter\) dated as of March 30, 2011, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.27 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.29 [Supplemental Agreement No. 19 \(and related side letter\) dated as of October 27, 2011, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.28 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)

- †^10.30 [Supplemental Agreement No. 20 \(and related side letters\) dated as of December 14, 2011, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.29 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.31 [Supplemental Agreement No. 21 dated as of June 29, 2012, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.30 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.32 [Supplemental Agreement No. 22 \(and related side letters\) dated as of December 11, 2012, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.31 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.33 [Supplemental Agreement No. 23 \(and related side letters\) dated as of December 10, 2013, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.32 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.34 [Supplemental Agreement No. 24 \(and related side letters\) dated as of May 4, 2016, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.33 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.35 [Supplemental Agreement No. 25 \(and related side letters\) dated as of June 10, 2016, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.34 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.36 [Supplemental Agreement No. 26 \(and related side letter\) dated as of February 10, 2017, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.35 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.37 [Supplemental Agreement No. 27 \(and related side letter\) dated as of October 12, 2017, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.36 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.38 [Supplemental Agreement No. 28 \(and related side letter\) dated as of January 26, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.37 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.39 [Supplemental Agreement No. 29 \(and related side letters\) dated as of February 2, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.38 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.40 [Letter Agreement dated as of March 16, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.39 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.41 [Supplemental Agreement No. 30 \(and related side letters\) dated as of June 18, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.40 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.42 [Supplemental Agreement No. 31 dated as of September 14, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.41 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.43 [Letter Agreement dated as of September 14, 2018, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.42 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.44 [Letter Agreement dated as of July 9, 2019, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.5 to FedEx's FY20 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.45 [Letter Agreement dated as of December 19, 2019, amending the Boeing 777 Freighter Purchase Agreement and the Boeing 767-3S2 Freighter Purchase Agreement dated as of December 14, 2011 between The Boeing Company and FedEx Express \(the "Boeing 767-3S2 Freighter Purchase Agreement"\). \(Filed as Exhibit 10.8 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.46 [Letter Agreement dated as of February 7, 2020, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.9 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.47 [Supplemental Agreement No. 32 \(and related side letters\) dated as of February 28, 2020, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.10 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)

- ^10.48 [Letter Agreement dated as of May 25, 2021, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.44 to FedEx's FY21 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.49 [Supplemental Agreement No. 33 \(and related side letter\) dated as of December 30, 2020, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.1 to FedEx's FY22 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.50 [Letter Agreement dated as of October 1, 2021, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.2 to FedEx's FY22 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- †^10.51 [Supplemental Agreement No. 34 \(and related side letters\) dated as of October 13, 2021, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.3 to FedEx's FY22 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- †^10.52 [Supplemental Agreement No. 35 \(and related side letters\) dated as of December 10, 2021, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.1 to FedEx's FY22 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.53 [Supplemental Agreement No. 36 \(and related side letters\) dated as of June 1, 2022, amending the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.52 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.54 [Letter Agreement dated as of December 15, 2022, amending the Boeing 777 Freighter Purchase Agreement and the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.1 to FedEx's FY23 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- *^10.55 [Letter Agreement dated as of May 23, 2023, amending the Boeing 777 Freighter Purchase Agreement.](#)
- †^10.56 [The Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.53 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.57 [Supplemental Agreement No. 1 \(and related side letters\) dated as of June 29, 2012, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.54 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.58 [Supplemental Agreement No. 2 dated as of October 8, 2012, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.55 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.59 [Supplemental Agreement No. 3 \(and related side letters\) dated as of December 11, 2012, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.56 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.60 [Supplemental Agreement No. 4 \(and related side letter\) dated as of December 10, 2013, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.57 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.61 [Supplemental Agreement No. 5 \(and related side letters\) dated as of September 29, 2014, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.58 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.62 [Letter Agreement dated as of January 22, 2015, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.59 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.63 [Supplemental Agreement No. 6 \(and related side letters\) dated as of July 21, 2015, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.60 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.64 [Supplemental Agreement No. 7 dated as of April 18, 2016, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.61 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.65 [Supplemental Agreement No. 8 \(and related side letters\) dated as of June 10, 2016, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.62 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †^10.66 [Supplemental Agreement No. 9 dated as of February 16, 2017, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.63 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)

- †^10.67 [Supplemental Agreement No. 10 dated as of May 10, 2017, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.64 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.68 [Supplemental Agreement No. 11 \(and related side letters\) dated as of June 18, 2018, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.65 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.69 [Letter Agreement dated as of May 10, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.53 to FedEx's FY19 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.70 [Letter Agreement dated as of May 29, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.54 to FedEx's FY19 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.71 [Letter Agreement dated as of May 29, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement and the Boeing 777 Freighter Purchase Agreement. \(Filed as Exhibit 10.55 to FedEx's FY19 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- † ^10.72 [Supplemental Agreement No. 12 \(and related side letters\) dated as of June 24, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.6 to FedEx's FY20 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- † ^10.73 [Letter Agreement dated as of July 9, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.7 to FedEx's FY20 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- † ^10.74 [Supplemental Agreement No. 13 dated as of September 4, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.6 to FedEx's FY20 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.75 [Letter Agreement dated as of December 19, 2019, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.11 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.76 [Letter Agreement dated as of January 30, 2020, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.12 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- † ^10.77 [Supplemental Agreement No. 14 \(and related side letters\) dated as of February 28, 2020, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.13 to FedEx's FY20 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- † ^10.78 [Supplemental Agreement No. 15 \(and related side letters\) dated as of June 25, 2020, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.4 to FedEx's FY21 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.79 [Letter Agreement dated as of May 28, 2021, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.68 to FedEx's FY21 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- ^10.80 [Letter Agreement dated as of June 8, 2021, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.1 to FedEx's FY22 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- ^10.81 [Supplemental Agreement No. 16 \(and related side letters\) dated as of June 22, 2021, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.2 to FedEx's FY22 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- † ^10.82 [Letter Agreement dated as of January 31, 2023, amending the Boeing 767-3S2 Freighter Purchase Agreement. \(Filed as Exhibit 10.2 to FedEx's FY23 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- *^10.83 [Letter Agreement dated as of May 31, 2023, amending the Boeing 767-3S2 Freighter Purchase Agreement.](#)

Financing Agreements

- †10.84 [Second Amended and Restated Five-Year Credit Agreement \(the "Five-Year Credit Agreement"\) dated as of March 16, 2021, among FedEx, JPMorgan Chase Bank, N.A., individually and as administrative agent, and other financial institutions. \(Filed as Exhibit 10.69 to FedEx's FY21 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- †10.85 [First Amendment to Five-Year Credit Agreement dated as of March 15, 2022. \(Filed as Exhibit 10.80 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)

- †10.86 [Three-Year Credit Agreement dated as of March 15, 2022, among FedEx, JPMorgan Chase Bank, N.A., individually and as administrative agent, and other financial institutions. \(Filed as Exhibit 10.81 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- Management Contracts/Compensatory Plans or Arrangements***
- 10.87 [FedEx Incentive Stock Plan, as amended. \(Filed as Exhibit 4.1 to FedEx's Registration Statement No. 333-156333 on Form S-8, and incorporated herein by reference.\)](#)
- 10.88 [Amendment to the FedEx Incentive Stock Plan, as amended. \(Filed as Exhibit 4.2 to FedEx's Registration Statement No. 333-156333 on Form S-8, and incorporated herein by reference.\)](#)
- 10.89 [Form of Terms and Conditions of stock option grant pursuant to the FedEx Incentive Stock Plan, as amended. \(Filed as Exhibit 4.3 to FedEx's Registration Statement No. 333-156333 on Form S-8, and incorporated herein by reference.\)](#)
- 10.90 [Form of Restricted Stock Agreement pursuant to the FedEx Incentive Stock Plan, as amended. \(Filed as Exhibit 4.4 to FedEx's Registration Statement No. 333-156333 on Form S-8, and incorporated herein by reference.\)](#)
- 10.91 [FedEx Incentive Stock Plan 2005 Inland Revenue Approved Sub-Plan for the United Kingdom. \(Filed as Exhibit 4.2 to FedEx's Registration Statement No. 333-130619 on Form S-8, and incorporated herein by reference.\)](#)
- 10.92 [Form of Share Option Agreement pursuant to the FedEx Incentive Stock Plan 2005 Inland Revenue Approved Sub-Plan for the United Kingdom. \(Filed as Exhibit 4.3 to FedEx's Registration Statement No. 333-130619 on Form S-8, and incorporated herein by reference.\)](#)
- 10.93 [Amendment to the Incentive Stock Plan, as amended. \(Filed as Exhibit 10.48 to FedEx's FY10 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.94 [Amendment to the Incentive Stock Plan. \(Filed as Exhibit 10.2 to FedEx's FY11 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.95 [FedEx 2010 Omnibus Stock Incentive Plan, as amended \(the "2010 Omnibus Stock Incentive Plan"\). \(Filed as Exhibit 10.12 to FedEx's FY18 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.96 [Form of Terms and Conditions of stock option grant pursuant to the 2010 Omnibus Stock Incentive Plan. \(Filed as Exhibit 4.4 to FedEx's Registration Statement No. 333-171232 on Form S-8, and incorporated herein by reference.\)](#)
- 10.97 [Form of Terms and Conditions of restricted stock grant pursuant to the 2010 Omnibus Stock Incentive Plan. \(Filed as Exhibit 4.5 to FedEx's Registration Statement No. 333-171232 on Form S-8, and incorporated herein by reference.\)](#)
- 10.98 [Form of Restricted Stock Agreement pursuant to the 2010 Omnibus Stock Incentive Plan. \(Filed as Exhibit 4.5 to FedEx's Registration Statement No. 333-192957 on Form S-8, and incorporated herein by reference.\)](#)
- 10.99 [FedEx 2019 Omnibus Stock Incentive Plan, as amended \(the "2019 Omnibus Stock Incentive Plan"\). \(Filed as Appendix D to FedEx's Definitive Proxy Statement filed August 8, 2022, and incorporated herein by reference.\)](#)
- 10.100 [Form of Terms and Conditions of Stock Option Grant for U.S. Employees pursuant to the 2019 Omnibus Stock Incentive Plan. \(Filed as Exhibit 99.2 to FedEx's Registration Statement No. 333-234010 on Form S-8, and incorporated herein by reference.\)](#)
- 10.101 [Form of Stock Option Agreement for Non-U.S. Participants pursuant to the 2019 Omnibus Stock Incentive Plan. \(Filed as Exhibit 99.3 to FedEx's Registration Statement No. 333-234010 on Form S-8, and incorporated herein by reference.\)](#)
- 10.102 [Form of Stock Option Agreement for Non-Management Members of the Board of Directors pursuant to the 2019 Omnibus Stock Incentive Plan. \(Filed as Exhibit 99.4 to FedEx's Registration Statement No. 333-234010 on Form S-8, and incorporated herein by reference.\)](#)
- 10.103 [Form of Restricted Stock Agreement for U.S. Participants pursuant to the 2019 Omnibus Stock Incentive Plan. \(Filed as Exhibit 99.5 to FedEx's Registration Statement No. 333-234010 on Form S-8, and incorporated herein by reference.\)](#)
- 10.104 [Form of Restricted Stock Agreement for Non-U.S. Participants pursuant to the 2019 Omnibus Stock Incentive Plan. \(Filed as Exhibit 99.6 to FedEx's Registration Statement No. 333-234010 on Form S-8, and incorporated herein by reference.\)](#)
- 10.105 [Amended and Restated FedEx Retirement Parity Pension Plan, effective June 15, 2020. \(Filed as Exhibit 10.5 to FedEx's FY21 First Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.106 [FedEx Express Supplemental Long Term Disability Plan and Amendment to the Plan. \(Filed as Exhibit 10.56 to FedEx's FY11 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)

- 10.107 [FedEx Office Supplemental Retirement Plan dated December 30, 2019 \(but effective as of January 1, 2020\). \(Filed as Exhibit 10.102 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.108 [First Amendment to FedEx Office Supplemental Retirement Plan dated December 22, 2021 \(but effective as of January 1, 2021\). \(Filed as Exhibit 10.103 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.109 [Second Amendment to FedEx Office Supplemental Retirement Plan dated June 20, 2022 \(but effective as of August 1, 2022\). \(Filed as Exhibit 10.104 to FedEx's FY22 Annual Report on Form 10-K, and incorporated herein by reference.\)](#)
- 10.110 [FedEx's Amended and Restated Retirement Plan for Outside Directors. \(Filed as Exhibit 10.2 to FedEx's FY09 Second Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.111 [Form of Management Retention Agreement between FedEx and each of Frederick W. Smith, Rajesh Subramaniam, Mark R. Allen, Tracy B. Brightman, Brie A. Carere, Robert B. Carter, Sriram Krishnasamy, Michael C. Lenz, and John A. Smith. \(Filed as Exhibit 10.5 to FedEx's FY10 Third Quarter Report on Form 10-Q, and incorporated herein by reference.\)](#)
- 10.113 [Separation and Release Agreement, dated June 19, 2023, between FedEx and Michael C. Lenz \(Filed as Exhibit 10.1 to FedEx's Current Report on Form 8-K dated June 16, 2023 and filed June 20, 2023, and incorporated herein by reference.\)](#)

Other Exhibits

- *21 [Subsidiaries of Registrant.](#)
- *22 [List of Guarantor Subsidiaries.](#)
- *23 [Consent of Independent Registered Public Accounting Firm.](#)
- *24 [Powers of Attorney \(presented on the signature pages of this Annual Report\).](#)
- *31.1 [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- *31.2 [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- *32.1 [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- *32.2 [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- **99.1 [Schedule I related to the FedEx Express Pass Through Certificates, Series 2020-1AA \(the "Certificates"\). \(Filed as Exhibit 99.1 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- ***99.2 [Schedule II related to the Certificates. \(Filed as Exhibit 99.2 to the August 13, 2020 Form 8-K, and incorporated herein by reference.\)](#)
- *101.1 [Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language \("Inline XBRL"\).](#)
- *104 [Cover Page Interactive Data File \(formatted in Inline XBRL and contained in Exhibit 101.1\).](#)

* Filed herewith.

** Pursuant to Instruction 2 to Item 601 of Regulation S-K, Exhibit 99.1 to the August 13, 2020 Form 8-K contains a list of documents applicable to the Boeing 767-300F aircraft (other than the aircraft bearing Registration No. N126FE) that relate to the offering of the Certificates, which documents are substantially identical to those which are filed as Exhibits 4.7 and 4.9 to the August 13, 2020 Form 8-K, except for the information identifying such aircraft in question and various information relating to the principal amounts of the equipment notes relating to such aircraft. Exhibit 99.1 to the August 13, 2020 Form 8-K sets forth the details by which such documents differ from the corresponding representative sample of documents filed as Exhibits 4.7 and 4.9 to the August 13, 2020 Form 8-K with respect to the aircraft bearing Registration No. N976JT.

*** Pursuant to Instruction 2 to Item 601 of Regulation S-K, Exhibit 99.2 to the August 13, 2020 Form 8-K contains a list of documents applicable to the Boeing 777F aircraft (other than the aircraft bearing Registration No. N869FD) that relate to the offering of the Certificates, which documents are substantially identical to those which are filed as Exhibits 4.8 and 4.10 to the August 13, 2020 Form 8-K, except for the information identifying such aircraft in question and various information relating to the principal amounts of the equipment notes relating to such aircraft. Exhibit 99.2 to the August 13, 2020 Form 8-K sets forth the details by which such documents differ from the corresponding representative sample of documents filed as Exhibits 4.8 and 4.10 to the August 13, 2020 Form 8-K with respect to the aircraft bearing Registration No. N869FD.

† Certain attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. FedEx will furnish supplementally copies of such attachments to the SEC or its staff upon request.

^ Information in this exhibit identified by brackets is confidential and has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it (i) is not material and (ii) would likely cause competitive harm to FedEx if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDEX CORPORATION

Dated: July 17, 2023

By: /s/ Rajesh Subramaniam
Rajesh Subramaniam
President and Chief Executive Officer

Power of Attorney. KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Rajesh Subramaniam, Michael C. Lenz and Jennifer L. Johnson, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with any and all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
<u>/s/ Rajesh Subramaniam</u> Rajesh Subramaniam	President and Chief Executive Officer and Director (Principal Executive Officer)	July 17, 2023
<u>/s/ Michael C. Lenz</u> Michael C. Lenz	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	July 17, 2023
<u>/s/ Jennifer L. Johnson</u> Jennifer L. Johnson	Corporate Vice President and Principal Accounting Officer (Principal Accounting Officer)	July 17, 2023
<u>/s/ Frederick W. Smith</u> Frederick W. Smith	Executive Chairman and Chairman of the Board and Director	July 17, 2023
<u>/s/ Marvin R. Ellison</u> Marvin R. Ellison	Director	July 17, 2023
<u>/s/ Stephen E. Gorman</u> Stephen E. Gorman	Director	July 17, 2023
<u>/s/ Susan Patricia Griffith</u> Susan Patricia Griffith	Director	July 17, 2023
<u>/s/ Kimberly A. Jabal</u> Kimberly A. Jabal	Director	July 17, 2023
<u>/s/ Amy B. Lane</u> Amy B. Lane	Director	July 17, 2023
<u>/s/ R. Brad Martin</u> R. Brad Martin	Director	July 17, 2023

<u>/s/ Nancy A. Norton</u> Nancy A. Norton	Director	July 17, 2023
<u>/s/ Frederick Perpall</u> Frederick Perpall	Director	July 17, 2023
<u>/s/ Joshua Cooper Ramo</u> Joshua Cooper Ramo	Director	July 17, 2023
<u>/s/ Susan C. Schwab</u> Susan C. Schwab	Director	July 17, 2023
<u>/s/ David P. Steiner</u> David P. Steiner	Director	July 17, 2023
<u>/s/ V. James Vena</u> V. James Vena	Director	July 17, 2023
<u>/s/ Paul S. Walsh</u> Paul S. Walsh	Director	July 17, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
FedEx Corporation

We have audited the consolidated financial statements of FedEx Corporation (the Company) as of May 31, 2023 and 2022, and for each of the three years in the period ended May 31, 2023, and have issued our report thereon dated July 17, 2023 included elsewhere in this Form 10-K. Our audits of the consolidated financial statements included the financial statement schedule listed in Item 15(a) of this Form 10-K (the “schedule”). This schedule is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s schedule, based on our audits.

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

/s/ Ernst & Young LLP

Memphis, Tennessee

July 17, 2023

FEDEX CORPORATION
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED MAY 31, 2023, 2022, AND 2021
(IN MILLIONS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS		BALANCE AT END OF YEAR
		CHARGED TO EXPENSES	CHARGED TO OTHER ACCOUNTS			
Accounts Receivable Reserves:						
Allowance for Doubtful Accounts						
2023	\$ 340	\$ 696	\$ —	\$ 564	(a)	\$ 472
2022	358	403	—	421	(a)	340
2021	175	577	—	394	(a)	358
Allowance for Revenue Adjustments						
2023	\$ 352	\$ —	\$ 1,662	(b) \$ 1,686	(c)	\$ 328
2022	384	—	1,795	(b) 1,827	(c)	352
2021	215	—	1,892	(b) 1,723	(c)	384
Inventory Valuation Allowance:						
2023	\$ 360	\$ 33	\$ —	\$ 117		\$ 276
2022	349	35	—	24		360
2021	335	38	—	24		349

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

(b) Principally charged against revenue.

(c) Service failures, rebills, and other.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of July 13, 2023, FedEx Corporation (“FedEx,” the “Company,” “we,” “us,” and “our”) had six classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): our Common Stock; our 0.450% Notes due 2025; our 1.625% Notes due 2027; our 0.450% Notes due 2029; our 1.300% Notes due 2031; and our 0.950% Notes due 2033.

DESCRIPTION OF COMMON STOCK

The following description of our Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Third Amended and Restated Certificate of Incorporation (the “Certificate of Incorporation”) and our Amended and Restated Bylaws (the “Bylaws”), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our Certificate of Incorporation, our Bylaws, and the applicable provisions of the General Corporation Law of the State of Delaware (“DGCL”) for additional information.

Authorized Shares of Capital Stock

Our authorized capital stock consists of 800,000,000 shares of common stock, \$0.10 par value per share, and 4,000,000 shares of series preferred stock, without par value. On July 13, 2023, there were outstanding (a) 251,187,242 shares of common stock and (b) stock options to purchase an aggregate of 15,900,189 shares of common stock, of which options to purchase an aggregate of 10,839,182 shares of common stock were exercisable. As of July 13, 2023, no shares of our preferred stock were issued or outstanding.

Voting Rights

Holders of common stock are entitled to one vote per share on all matters voted on generally by the stockholders, including the election of directors, and possess all voting power (except as may, in the future, be provided by Delaware law, our Certificate of Incorporation, or a resolution of our board of directors authorizing a series of our preferred stock). Our common stock does not have cumulative voting rights.

Dividends

Holders of our common stock are entitled to receive dividends when, as, and if declared by the board of directors out of funds legally available for payment of dividends, subject to the rights of the holders of any outstanding shares of preferred stock. The holders of common stock will share equally, share for share, in such dividends, whether payable in cash, in property, or in shares of our stock.

Liquidation Rights

Subject to any preferential rights of outstanding shares of preferred stock, holders of common stock will share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution, or winding up.

Absence of Other Rights

Our common stock has no preemptive, subscription, preferential, conversion, or exchange rights.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol “FDX.”

Miscellaneous

The outstanding shares of our common stock are, and any shares of common stock offered by a prospectus supplement upon issuance and payment therefor will be, fully paid and nonassessable.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A., P.O. Box 43006, Providence, Rhode Island 02940-3006.

Certain Anti-Takeover Effects

General. Certain provisions of our Certificate of Incorporation, our Bylaws, and the DGCL may have the effect of impeding the acquisition of control of us. These provisions are designed to reduce, or have the effect of reducing, our vulnerability to unsolicited takeover attempts.

Delaware Takeover Statute. We are subject to the provisions of Section 203 of the DGCL. Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales, and other transactions resulting in a financial benefit to the interested stockholder. Subject to specified exceptions, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s voting stock.

Stockholder Action by Written Consent. Our Certificate of Incorporation and Bylaws require that all stockholder action be taken at a duly called meeting of the stockholders and prohibit taking action by written consent of stockholders.

Additional Authorized Shares of Capital Stock. The additional shares of authorized common stock and preferred stock available for issuance under our Certificate of Incorporation could be issued at such times, under such circumstances, and with such terms and conditions as to impede a change in control.

DESCRIPTION OF THE NOTES

The following description of our 0.450% Notes due 2025 (the “2025 Notes”), our 1.625% Notes due 2027 (the “2027 Notes”), our 0.450% Notes due 2029 (the “2029 Notes”), our 1.300% Notes due 2031 (the “2031 Notes”), and our 0.950% Notes due 2033 (the “2033 Notes,” and together with the 2025 Notes, the 2027 Notes, the 2029 Notes, and the 2031 Notes, the “Notes”) is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of October 23, 2015, among FedEx, the subsidiary guarantors named below, and U.S. Bank Trust Company, National Association, as successor trustee (the “Base Indenture”), as supplemented, in the case of the 2025 Notes and the 2031 Notes, by supplemental indenture no. 10, dated as of August 5, 2019, among FedEx, the subsidiary guarantors named below, the trustee, and the paying agent named below; in the case of the 2027 Notes, by supplemental indenture no. 3, dated as of April 11, 2016, among FedEx, the subsidiary guarantors named below, the trustee, and the paying agent named below; and in the case of the 2029 Notes and the 2033 Notes, by supplemental indenture no. 13, dated as of May 4, 2021, among FedEx, the subsidiary guarantors named below, the trustee, and the paying agent named below (collectively, the “Indenture”), which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read the Indenture for additional information. References in this section to the “Company,” “us,” “we” and “our” are solely to FedEx and not to any of its subsidiaries, unless the context requires otherwise.

The Base Indenture

Merger, Consolidation, and Sale of Assets

The Base Indenture provides that we may not consolidate with or merge into any other person, or convey, transfer, or lease our properties and assets as, or substantially as, an entirety to any person, unless:

- our successor is a corporation organized and existing under the laws of the United States, any state thereof, or the District of Columbia;
 - our successor shall expressly assume, by a supplemental indenture, the due and punctual payment of the principal of and any premium and interest on the Notes and the performance of every covenant in the Base Indenture that we would otherwise have to perform;
-

- immediately after giving effect to such transaction, there will not be any defaults under the Base Indenture; and
- we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that the transaction and the supplemental indenture comply with the Base Indenture.

We have agreed that we will not sell or dispose of any subsidiary guarantor whose assets exceed 10% of our consolidated total assets (determined as of the date of our most recent interim or fiscal year-end balance sheet filed with the Securities and Exchange Commission ("SEC") prior to the date such guarantee is released) (each, a "10% subsidiary guarantor") unless at least 75% of the net proceeds of such sale or disposition will consist of any combination of:

- cash (including assumption by the acquiror of any indebtedness of FedEx or its subsidiaries) or readily marketable securities;
- property or assets (other than current assets) of a nature or type similar or related to the nature or type of the property or assets of FedEx and its subsidiaries existing on the date of such sale or disposition; or
- interests in companies or businesses having property or assets or engaged in businesses similar or related to the nature or type of the property or assets or businesses of FedEx and its subsidiaries on the date of such sale or disposition.

Application of Proceeds Upon Release of a 10% Subsidiary Guarantor

In the event that the net proceeds from the sale or disposition of a 10% subsidiary guarantor consist of cash or readily marketable securities, we will apply, within 12 months of such sale or disposition, an amount equal to 100% of the fair market value, as determined in good faith by our board of directors, of such net proceeds to:

- repay unsubordinated indebtedness of FedEx or any subsidiary guarantor, in each case owing to a person other than an affiliate of FedEx (such repayment is not required to be made pro rata among all our unsubordinated indebtedness);
- invest in property or assets (other than current assets) of a nature or type similar or related to the nature or type of the property or assets of FedEx and its subsidiaries existing on the date of such investment; or
- invest in a company or business having property or assets or engaged in a business similar or related to the nature or type of the property or assets or businesses of FedEx and its subsidiaries on the date of such investment.

Modification, Amendment, and Waiver

We and the trustee may modify and amend the Base Indenture with the consent of the holders of a majority in principal amount of each series of Notes to be affected (voting as a single class). However, no modification or amendment may, without the consent of the holder of such Notes affected thereby:

- change the stated maturity of the principal of, or any premium or installment of interest on, such Notes;
 - reduce the principal amount of, rate of interest on, or premium payable upon the redemption of, such Notes;
 - change any place of payment where, or the currency in which, any principal of, or interest or premium on, such Notes is payable;
 - impair the right to institute suit for the enforcement of any payment on such Notes on or after the stated maturity, or, in the case of redemption, on or after the redemption date;
 - reduce the percentage in principal amount of such Notes the consent of whose holders is required for modification or amendment of the Base Indenture, for waiver of compliance with certain provisions of the Base Indenture, or for waiver of certain defaults; or
 - if such Notes are convertible or exchangeable into or for other securities or property, make any change that adversely affects the right to convert or exchange such Notes or decrease the conversion or
-

exchange rate or increase the conversion price of such Notes, unless such decrease or increase is permitted by the terms of such Notes.

The holders of a majority in principal amount of the Notes of any series may on behalf of the holders of Notes of that series waive any past default under the Base Indenture and its consequences, except a default in the payment of the principal of or any premium or interest on such Notes or in respect of a covenant or provision that under the Base Indenture cannot be modified or amended without the consent of the holder of such Notes affected.

In addition, we and the trustee can modify and amend the Base Indenture without the consent of any holders in order to, among other things:

- allow a successor to FedEx or a subsidiary guarantor to assume our or its obligations under the Base Indenture;
- add to the covenants of FedEx or a subsidiary guarantor for the benefit of the holders of all or any series of Notes, or surrender any right or power conferred upon FedEx or a subsidiary guarantor by the Base Indenture;
- add any additional events of default of FedEx or a subsidiary guarantor for the benefit of the holders of all or any series of Notes;
- establish the form or terms of any series of Notes;
- secure the Notes of any series;
- correct any ambiguity, defect, or inconsistency under the Base Indenture, or to make other provisions with respect to matters or questions arising under the Base Indenture, provided that such action does not adversely affect the interests of the holders of any debt securities in any material respect;
- add to, change, or eliminate any provision of the Base Indenture applying to one or more series of Notes, provided that if such action adversely affects in any material respect the interests of holders such series of Notes, such addition, change, or elimination will become effective with respect to such series only when no such Notes of that series remain outstanding;
- add additional subsidiary guarantors of the Notes;
- provide for the release of subsidiary guarantors as permitted under the Base Indenture;
- evidence and provide for the appointment of a successor trustee or to add to or change any provisions to the extent necessary to appoint a separate trustee for a specific series of Notes;
- supplement any of the provisions of the Base Indenture to the extent necessary to permit or facilitate the defeasance and discharge of any series of Notes, *provided* that no such supplement shall materially adversely affect the interests of any holders of the Notes;
- make provisions with respect to conversion or exchange rights of holders of Notes;
- comply with the requirements of the SEC to effect or maintain the qualification of the Base Indenture under the Trust Indenture Act; or
- make any other amendment or supplement to the Base Indenture as long as that amendment or supplement does not materially adversely affect the interests of any holders of Notes.

Events of Default

Unless otherwise provided in a supplemental indenture with respect to a series of Notes, an event of default with respect to a series of Notes will occur if:

- we fail to pay interest when due on any Notes of that series for 30 days;
 - we fail to pay the principal of or any premium on any Notes of that series when due;
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- we fail to perform any covenant in the Base Indenture and this failure continues for 90 days after we receive written notice as provided in the Base Indenture;
- we fail to deposit any sinking fund payment when and as due by the terms of the Notes of that series;
- we or a court takes certain actions relating to our bankruptcy, insolvency, or reorganization for the benefit of our creditors; or
- any subsidiary guarantor whose consolidated total assets constitute 60% or more of our consolidated total assets (determined as of the date of our most recent interim or fiscal year-end balance sheet filed with the SEC prior to such determination date) or a court takes certain actions relating to the bankruptcy, insolvency, or reorganization of such subsidiary guarantor for the benefit of its creditors.

If an event of default with respect to the Notes of any series occurs and continues, the trustee or the holders of a majority in principal amount of the outstanding Notes of that series may require us to repay immediately the principal amount of the Notes of that series. The holders of a majority in principal amount of the outstanding Notes of that series may rescind and annul such acceleration if all events of default with respect to Notes of that series, other than the nonpayment of accelerated principal, have been cured or waived as provided in the Base Indenture. For information as to waiver of defaults, see “—Modification, Amendment, and Waiver” above.

Other than its duties in case of a default, the trustee will not be obligated to exercise any of its rights or powers under the Base Indenture at the request or direction of any of the holders, unless the holders offer to the trustee reasonable indemnity. If the holders provide this reasonable indemnity, the holders of a majority in principal amount of the outstanding Notes of such series will have the right, subject to certain limitations, to direct the time, method, and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to any series of Notes.

No holder of any Notes of any series will have any right to institute any proceeding with respect to the Base Indenture or for any remedy under the Base Indenture unless:

- the holder has previously given to the trustee written notice of a continuing event of default;
- the holders of a majority in principal amount of the outstanding Notes of that series have made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding as trustee; and
- the trustee has not received from the holders of a majority in principal amount of the outstanding Notes of that series a direction inconsistent with the request, and the trustee has failed to institute such proceeding within 60 days.

However, the holder of any Notes will have an absolute right to receive payment of the principal of and any premium and interest on such Notes as expressed in the Notes, or, in the case of redemption, on the redemption date, and to institute suit for the enforcement of any payment.

We will be required to furnish to the trustee annually a statement as to the absence of certain defaults under the Base Indenture. The trustee may withhold notice to the holders of Notes of any default, except as to payment of principal of (or premium, if any) or interest with respect to the Notes, if the trustee considers such withholding to be in the interest of the holders of the Notes.

Discharge and Defeasance

We may satisfy and discharge obligations with respect to the Notes of a particular series by either delivering to the trustee for cancellation all outstanding Notes of that series, or depositing with the trustee, after the outstanding Notes of that series have become due and payable, or will become due and payable within one year, at maturity or by redemption, sufficient cash or government securities to pay the principal, interest, any premium, and any other sums due to the stated maturity date or redemption date of the Notes of that series.

In addition, the Base Indenture provides that at our option we may:

- be discharged from our obligations with respect to Notes of a particular series (“defeasance and discharge”), or
- cease to comply with certain restrictive covenants under the Base Indenture, including those described under “—Merger, Consolidation, and Sale of Assets,” and certain events of default will no longer apply to us (“covenant defeasance”),

if we deposit with the trustee sufficient cash or government securities to pay the principal, interest, any premium, and any other sums due to the stated maturity date or redemption date of the Notes of that series. Upon defeasance and discharge, the holders of the Notes of the affected series will not be entitled to the benefits of the Base Indenture, except for registration of transfer and exchange of Notes and replacement of lost, stolen, or mutilated Notes. Such holders may look only to such deposited funds or obligations for payment.

The defeasance and discharge and covenant defeasance described above are effective only if, among other things, we deliver to the trustee an opinion of counsel to the effect that (i) the holders of such Notes will not recognize income, gain, or loss for federal income tax purposes as result of such defeasance and discharge or covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner, and at the same time as would have been the case if such defeasance and discharge or covenant defeasance had not occurred, and (ii) in the case of defeasance and discharge, the opinion as to tax consequences is based upon an Internal Revenue Service ruling or a change in applicable federal income tax law.

With respect to the Notes, “government securities” shall include (1) securities that are direct obligations of the Federal Republic of Germany for the payment of which its full faith and credit is pledged or (2) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the Federal Republic of Germany, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the Federal Republic of Germany, which, in either case under clauses (1) or (2) are not callable or redeemable at the option of the issuer thereof.

General

We issued €500,000,000 aggregate principal amount of the 2025 Notes on August 5, 2019, €1,250,000,000 aggregate principal amount of the 2027 Notes on April 11, 2016, €600,000,000 aggregate principal amount of the 2029 Notes on May 4, 2021, €500,000,000 aggregate principal amount of the 2031 Notes on August 5, 2019, and €650,000,000 aggregate principal amount of the 2033 Notes on May 4, 2021. The 2025 Notes, the 2027 Notes, the 2029 Notes, the 2031 Notes, and the 2033 Notes will mature on August 5, 2025, January 11, 2027, May 4, 2029, August 5, 2031, and May 4, 2033, respectively.

The Notes are our general unsecured obligations and rank equally with all our other unsecured and unsubordinated indebtedness. The Notes are fully and unconditionally guaranteed by Federal Express Corporation, FedEx Ground Package System, Inc., FedEx Freight Corporation, FedEx Freight, Inc., FedEx Office and Print Services, Inc., FedEx Corporate Services, Inc., Federal Express Europe, Inc., Federal Express Holdings S.A., LLC, and Federal Express International, Inc. These subsidiaries guarantee our obligations under our outstanding unsecured debt securities and revolving credit facilities. If we sell, transfer, or dispose (by merger or otherwise), other than a lease, of a subsidiary guarantor or all of the capital stock or all or substantially all of the assets of a subsidiary guarantor to any person that is not an affiliate of FedEx, the guarantee of that subsidiary will automatically terminate and holders of the Notes will no longer have a claim against such subsidiary under the guarantee.

We may redeem a series of the Notes, in whole or in part, at any time at the applicable redemption price described under “—Optional Redemption” below. In addition, we may redeem any series of the Notes, in whole but not in part, at any time, if certain events occur involving changes in United States taxation, at the applicable redemption price described under “—Redemption for Tax Reasons” below. We may issue additional notes of any series from time to time at any time. The Notes of a series and any additional new notes of such series subsequently issued under the Indenture would be treated as a single series for all purposes under the Indenture, including, without limitation, waivers, amendments, and redemptions. If the additional notes of a series, if any, are not fungible with the notes of that series previously offered for U.S. federal income tax purposes, the additional notes will have separate CUSIP, Common Code, and ISIN numbers. The Notes do not have the benefit of a sinking fund. If a

Change of Control Repurchase Event (as defined below) occurs with respect to a series of the Notes, except to the extent we have exercised our right to redeem such Notes, we will be required to offer to repurchase the Notes of such series, as described under “—Change of Control Repurchase Event” below.

The Indenture does not limit the aggregate amount of debt securities which may be issued under the Indenture. Other than the provisions relating to a Change of Control Repurchase Event, the Indenture does not contain any debt covenants or provisions which would afford the holders of the Notes protection in the event of a highly leveraged or similar transaction. The trustee will not be liable for special, indirect, exemplary, incidental, punitive, or consequential or other similar loss or damage of any kind under the Indenture. We and the trustee, and each holder of a note by its acceptance thereof, irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the notes, or any transaction contemplated thereby.

The Notes were issued in fully registered form without coupons in denominations of €100,000 and integral multiples of €1,000 in excess of €100,000. The Notes of each series are represented by one or more permanent global notes that have been deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Clearstream and Euroclear.

Interest

The 2025 Notes bear interest at the rate of 0.450% per year. The 2027 Notes bear interest at the rate of 1.625% per year. The 2029 Notes bear interest at the rate of 0.450% per year. The 2031 Notes bear interest at the rate of 1.300% per year. The 2033 Notes bear interest at the rate of 0.950% per year. Interest on the 2025 Notes accrued from August 5, 2019, or from the most recent date to which interest on the 2025 Notes has been paid. Interest on the 2027 Notes accrued from April 11, 2016, or from the most recent date to which interest on the 2027 Notes has been paid. Interest on the 2029 Notes accrued from May 4, 2021, or from the most recent date to which interest on the 2029 Notes has been paid. Interest on the 2031 Notes accrued from August 5, 2019, or from the most recent date to which interest on the 2031 Notes has been paid. Interest on the 2033 Notes accrued from May 4, 2021, or from the most recent date to which interest on the 2033 Notes has been paid.

Interest is payable annually in arrears on August 5 of each year, commencing on August 5, 2020, in the case of the 2025 Notes, on January 11 of each year, commencing on January 11, 2017, in the case of the 2027 Notes, on May 4 of each year, commencing on May 4, 2022, in the case of the 2029 Notes, on August 5 of each year, commencing on August 5, 2020, in the case of the 2031 Notes, and on May 4 of each year, commencing on May 4, 2022, in the case of the 2033 Notes, to the persons in whose names the Notes are registered at the close of business on the preceding July 21 in the case of the 2025 Notes, December 25 in the case of the 2027 Notes, April 19 in the case of the 2029 Notes, July 21 in the case of the 2031 Notes, and April 19 in the case of the 2033 Notes, or, if the Notes of the series are represented by one or more global notes, the close of business on the business day (for this purpose a day on which Clearstream and Euroclear are open for business) immediately preceding July 21 in the case of the 2025 Notes, December 25 in the case of the 2027 Notes, April 19 in the case of the 2029 Notes, July 21 in the case of the 2031 Notes, and April 19 in the case of the 2033 Notes. Interest on the Notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the Notes (or August 5, 2019 if no interest has been paid on the 2025 Notes in the case of the 2025 Notes, January 11, 2016 if no interest has been paid on the 2027 Notes in the case of the 2027 Notes, May 4, 2021 if no interest has been paid on the 2029 Notes in the case of the 2029 Notes, August 5, 2019 if no interest has been paid on the 2031 Notes in the case of the 2031 Notes, and May 4, 2021 if no interest has been paid on the 2033 Notes in the case of the 2033 Notes) to, but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If the maturity date or any redemption date of a series of the Notes falls on a day that is not a business day, the related payment of principal, premium, and additional amounts, if any, and interest will be made on the next business day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next business day. If any interest payment date would otherwise be a day that is not a business day, that interest payment date will be postponed to the next date that is a business day.

Optional Redemption

At our option, we may redeem the 2025 Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined below), on at least 10 days' but no more than 60 days', prior written notice mailed (or otherwise delivered in accordance with the applicable clearing system's procedures) to the registered holders of the 2025 Notes to be redeemed.

At our option, we may redeem the 2027 Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined below), on at least 30 days' but no more than 60 days', prior written notice mailed (or otherwise delivered in accordance with the applicable clearing system's procedures) to the registered holders of the 2027 Notes to be redeemed.

At our option, we may redeem the 2029 Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined below), on at least 10 days' but no more than 60 days', prior written notice mailed (or otherwise delivered in accordance with the applicable clearing system's procedures) to the registered holders of the 2029 Notes to be redeemed.

At our option, we may redeem the 2031 Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined below), on at least 10 days' but no more than 60 days', prior written notice mailed (or otherwise delivered in accordance with the applicable clearing system's procedures) to the registered holders of the 2031 Notes to be redeemed.

At our option, we may redeem the 2033 Notes, in whole or in part, at any time prior to the applicable Par Call Date (as defined below), on at least 10 days' but no more than 60 days', prior written notice mailed (or otherwise delivered in accordance with the applicable clearing system's procedures) to the registered holders of the 2033 Notes to be redeemed.

Upon redemption of the Notes, we will pay a redemption price equal to the greater of:

(1) 100% of the principal amount of the Notes to be redeemed; and

(2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Notes to be redeemed that would be due if such Notes matured on the applicable Par Call Date (not including any portion of such payments of interest accrued as of the redemption date), discounted to the redemption date on an ACTUAL/ACTUAL (ICMA) day count basis, at the applicable Comparable Government Bond Rate (as defined below) plus 20 basis points in the case of the 2025 Notes, 25 basis points in the case of the 2027 Notes, 15 basis points in the case of the 2029 Notes, 25 basis points in the case of the 2031 Notes, and 20 basis points in the case of the 2033 Notes,

in each case, plus accrued and unpaid interest to the date of redemption on the principal amount of the Notes being redeemed.

At any time on or after the applicable Par Call Date, we may redeem a series of the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to the date of redemption on the principal amount of the Notes being redeemed.

"Comparable Government Bond" means, with respect to the series of the Notes to be redeemed prior to the applicable Par Call Date, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by us, a bond that is a direct obligation of the Federal Republic of Germany ("German government bond"), whose maturity is closest to the Par Call Date of such Notes to be redeemed (in the case of the 2025 Notes, the 2029 Notes, the 2031 Notes, and 2033 Notes) or whose maturity is closest to the maturity of the Notes to be redeemed (in the case of the 2027 Notes), or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third business day prior to the date fixed for redemption, of the Comparable Government Bond (as defined above) on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

“Par Call Date” means May 5, 2025 in the case of the 2025 Notes, October 11, 2026 in the case of the 2027 Notes, February 4, 2029 in the case of the 2029 Notes, May 5, 2031 in the case of the 2031 Notes, and February 4, 2033 in the case of the 2033 Notes.

“Remaining Scheduled Payments” means with respect to each Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if such redemption date is not an interest payment date with respect to such Notes, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced (solely for the purposes of this calculation) by the amount of interest accrued thereon to such redemption date. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes or portions of the Notes called for redemption.

If less than all of a series of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the trustee by such method as the trustee deems to be fair and appropriate in accordance with the applicable clearing system’s procedures.

Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any taxing authority in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations, or rulings, which change or amendment is announced or becomes effective on or after the date of the initial sale of the applicable series of the Notes, we become or, based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described herein under the heading “—Payment of Additional Amounts” with respect to that series of the Notes, then we may at any time at our option redeem, in whole, but not in part, the outstanding Notes of such series on not less than 30 nor more than 60 days’ prior notice, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest on those Notes to, but not including, the date fixed for redemption.

Redemption for Reason of Minimal Outstanding Amount

In the case of the 2029 Notes and the 2033 Notes, in the event that we have purchased the Notes of a series equal to or greater than 80% of the aggregate principal amount of the Notes of such series initially issued, we may redeem, in whole, but not in part, the remaining Notes of such series on not less than 30 nor more than 60 days prior notice, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, together with accrued and unpaid interest on those Notes to, but not including, the date fixed for redemption.

Payment of Additional Amounts

We will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary in order that the net payment by us of the principal of and interest on the Notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment, or other governmental charge imposed by the United States or a taxing authority in the United States (including any withholding or deduction with respect to the payment of such additional amounts), will not be less than the amount provided in the Notes to be then due and payable; *provided, however*, that the foregoing obligation to pay additional amounts shall not apply:

(1) to any tax, assessment, or other governmental charge that is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member, or shareholder of the holder or beneficial owner if the holder or beneficial owner is an estate, trust, partnership, corporation, or other entity, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

- (a) being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
 - (b) having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the Notes, the receipt of any payment thereon or the enforcement of any rights thereunder), including being or having been a citizen or resident of the United States;
 - (c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for United States federal income tax purposes or a corporation that has accumulated earnings to avoid United States federal income tax;
 - (d) being or having been a “10-percent shareholder” of FedEx as defined in Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the “Code”), or any successor provision; or
 - (e) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- (2) to any holder that is not the sole beneficial owner of the Notes, or a portion of the Notes, or that is a fiduciary, partnership, or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of such additional amounts had the beneficiary, settlor, beneficial owner, or member received directly its beneficial or distributive share of the payment;
- (3) to any tax, assessment, or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification, or information reporting requirements concerning the nationality, residence, identity, or connection with the United States of such holder or other person, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from, or reduction in, such tax, assessment, or other governmental charge;
- (4) to any tax, assessment, or other governmental charge that is imposed otherwise than by withholding by us or a paying agent from payments on the Notes;
- (5) to any tax, assessment, or other governmental charge that would not have been imposed but for a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;
- (6) to any estate, inheritance, gift, sales, excise, transfer, wealth, capital gains, or personal property tax or similar tax, assessment, or other governmental charge;
- (7) in the case of the 2027 Notes, to any withholding or deduction that is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any Directive amending, supplementing, or replacing such Directive, or any law implementing or complying with, or introduced in order to conform to, such Directive or Directives;
- (8) to any tax, assessment, or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note, if such payment can be made without such withholding by presenting such note (where presentation is required) to at least one other paying agent;
- (9) to any tax, assessment, or other governmental charge that would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- (10) to any tax, assessment, or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being a bank (i) purchasing the Notes in the ordinary course of its lending business or (ii) that is neither (A) buying the Notes for investment purposes only nor (B) buying the Notes for resale to a third-party that either is not a bank or holding the Notes for investment purposes only;
- (11) to any tax, assessment, or other governmental charge imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof; any agreement entered into pursuant to Section 1471(b) of the Code; or any fiscal or regulatory legislation, rules, or
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practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or (12) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), and (11).

The Notes are subject in all cases to any tax, fiscal, or other law or regulation or administrative or judicial interpretation applicable to the Notes. Except as specifically provided under this heading “—Payment of Additional Amounts,” we will not be required to make any payment for any tax, assessment, or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

As used under this heading “—Payment of Additional Amounts” and under the heading “—Redemption for Tax Reasons,” the term “United States” means the United States of America (including the states of the United States and the District of Columbia and any political subdivision thereof) and the term “United States person” means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes; a corporation, partnership, or other entity created or organized in or under the laws of the United States, any state of the United States, or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations); or any estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Any reference to amounts payable in respect of the Notes herein or in the Indenture shall be deemed to include any additional amounts which may be payable as described above.

Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs with respect to a series of the Notes, except to the extent we have exercised our right to redeem such Notes as described above, we will make an offer to each holder of the Notes of such series to repurchase all or any part (in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof) of that holder’s Notes at a repurchase price (the “repurchase price”) in cash equal to 101% of the aggregate principal amount of such Notes repurchased plus any accrued and unpaid interest on such Notes repurchased to, but not including, the repurchase date. Within 30 days following a Change of Control Repurchase Event or, at our option, prior to a Change of Control, but after the public announcement of such Change of Control, we will mail, or cause to be mailed, or otherwise deliver in accordance with the applicable clearing system’s procedures, a notice to each holder of the Notes of such series, with a copy to the trustee and the paying agent, describing the transaction or transactions that constitute or may constitute the Change of Control Repurchase Event and offering to repurchase the Notes of such series on the payment date specified in the notice (such offer, the “repurchase offer” and such date the “repurchase date”), which repurchase date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures described in such notice. The notice shall, if mailed or delivered prior to the date of consummation of the Change of Control, state that the repurchase offer is conditioned on a Change of Control Repurchase Event occurring on or prior to the repurchase date.

We will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of a series of the Notes as a result of a Change of Control Repurchase Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Repurchase Event provisions of the Notes, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Repurchase Event provisions of the Notes by virtue of such conflict.

On the repurchase date following a Change of Control Repurchase Event, we will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the repurchase offer;
 - (2) deposit with the paying agent an amount equal to the aggregate repurchase price for all Notes or portions of Notes properly tendered; and
 - (3) deliver, or cause to be delivered, to the trustee the Notes properly accepted for payment by us, together with an officers’ certificate stating the aggregate principal amount of Notes being repurchased by us pursuant to the
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repurchase offer and, to the extent applicable, an executed new note or notes evidencing any unrepurchased portion of any note or notes surrendered for which the trustee shall be required to authenticate and deliver a new note or notes as provided below.

The trustee will promptly mail, or cause the paying agent to promptly mail, or otherwise deliver in accordance with the applicable clearing system's procedures, to each holder of such Notes, or portions of such Notes, properly tendered and accepted for payment by us the repurchase price for such Notes, or portions of such Notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new note duly executed by us equal in principal amount to any unrepurchased portion of any notes surrendered, as applicable; *provided* that each new note will be in a principal amount equal to €100,000 or any integral multiple of €1,000 in excess thereof.

We will not be required to make a repurchase offer upon a Change of Control Repurchase Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by FedEx and such third party purchases all Notes or portions of Notes properly tendered and not withdrawn under its offer.

For purposes of the foregoing discussion of a repurchase at the option of holders, the following definitions are applicable:

"Below Investment Grade Ratings Event" means, with respect to a series of the Notes, on any day within the 60-day period (which period shall be extended so long as the rating of such series of the Notes is under publicly announced consideration for a possible downgrade by any Rating Agency) after the earlier of (1) the occurrence of a Change of Control, or (2) the public announcement of the occurrence of a Change of Control or our intention to effect a Change of Control, the Notes of such series are rated below Investment Grade by each and every Rating Agency. Notwithstanding the foregoing, a Below Investment Grade Ratings Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Ratings Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not publicly announce or publicly confirm or inform the trustee in writing at our request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Ratings Event).

"Change of Control" means the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as those terms are used in Section 13(d)(3) of the Exchange Act), other than (1) FedEx or any of its subsidiaries, (2) any employee benefit plan (or a trust forming a part thereof) maintained by FedEx or any of its subsidiaries, or (3) any underwriter temporarily holding Voting Stock of FedEx pursuant to an offering of such Voting Stock, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the combined voting power of FedEx's Voting Stock or other Voting Stock into which FedEx's Voting Stock is reclassified, consolidated, exchanged, or changed measured by voting power rather than number of shares.

"Change of Control Repurchase Event" means the occurrence of both a Change of Control and a Below Investment Grade Ratings Event with respect to a series of the Notes.

"Investment Grade" means, with respect to Moody's, a rating of Baa3 or better (or its equivalent under any successor rating categories of Moody's); with respect to S&P, a rating of BBB- or better (or its equivalent under any successor rating categories of S&P); and, with respect to any additional Rating Agency or Rating Agencies selected by FedEx, the equivalent investment grade credit rating.

"Moody's" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"Rating Agency" means (1) each of Moody's and S&P, and (2) if either of Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of FedEx's control, a "nationally

recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act, selected by FedEx (as certified by a board resolution) as a replacement agency for Moody’s or S&P, or both of them, as the case may be.

“S&P” means S&P Global Ratings, a division of S&P Global Inc., and its successors.

“Voting Stock” of any specified “person” (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

The Change of Control Repurchase Event provisions of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of FedEx and, thus, the removal of incumbent management. We could, in the future, enter into certain transactions, including acquisitions, refinancings, or other recapitalizations, that would not constitute a Change of Control Repurchase Event under the Notes, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings on the Notes.

If we experience a Change of Control Repurchase Event, we may not have sufficient financial resources available to satisfy our obligations to repurchase all Notes or portions of Notes properly tendered. Furthermore, debt agreements to which we may become a party in the future may contain restrictions and provisions limiting our ability to repurchase the Notes. Our failure to repurchase the Notes as required under the Indenture would result in a default under the Indenture, which could have material adverse consequences for us and the holders of the Notes.

Issuance in Euro

If we are unable to obtain euro in amounts sufficient to make a required payment under the Notes due to the imposition of exchange controls or other circumstances beyond our control (including the dissolution of the European Monetary Union) or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the Notes will be made in U.S. dollars until the euro is again available to us or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the then most recent U.S. dollar/euro exchange rate available on or prior to the second business day prior to the relevant payment date as determined by us in our sole discretion. Any payment in respect of the Notes so made in U.S. dollars will not constitute an Event of Default under the Notes or the Base Indenture governing the Notes. Neither the trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

Investors are subject to foreign exchange risks as to payments of principal and interest that may have important economic and tax consequences to them.

Global Clearance and Settlement

The Notes are issued in the form of one or more global notes (the “Euro Global Notes”) in fully registered form, without coupons, and are deposited with, or on behalf of, a common depository, and registered in the name of the nominee of the common depository, for, and in respect of interests held through, Euroclear and Clearstream. Except as described herein, certificates will not be issued in exchange for beneficial interests in the Euro Global Notes.

Except as set forth below, the Euro Global Notes may be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees.

Beneficial interests in the Euro Global Notes are represented, and transfers of such beneficial interests are effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Those beneficial interests will be in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Investors may hold Notes directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. It is possible

that the clearing systems may process trades that could result in amounts being held in denominations smaller than the minimum denominations. If definitive Notes are required to be issued in relation to such Notes in accordance with the provisions of the relevant Euro Global Notes, a holder who does not have the minimum denomination or a multiple of €1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive Notes unless and until such time as its holding satisfies the minimum denomination requirement.

So long as Euroclear or Clearstream or their nominee or their common depositary is the registered holder of the Euro Global Notes, Euroclear, Clearstream, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Euro Global Notes for all purposes under the Indenture and the Notes. Payments of principal, interest, and premium and additional amounts, if any, in respect of the Euro Global Notes will be made to Euroclear, Clearstream, or such nominee, as the case may be, as registered holder thereof.

Certificated Notes

Subject to certain conditions, the Notes represented by the Euro Global Notes are exchangeable for certificated Notes in definitive form of like tenor in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof if:

- (1) the common depositary provides notification that it is unwilling, unable, or no longer qualified to continue as depositary for the Euro Global Notes and a successor is not appointed within 90 days;
- (2) we in our discretion at any time determine not to have all of the Notes represented by the Euro Global Notes; or
- (3) default entitling the holders of the applicable Notes to accelerate the maturity thereof has occurred and is continuing.

Any note that is exchangeable as above is exchangeable for certificated Notes issuable in authorized denominations and registered in such names as the common depositary shall direct. Subject to the foregoing, a Euro Global Note is not exchangeable, except for a global note of the same aggregate denomination to be registered in the name of the common depositary (or its nominee).

Same-day Payment

Payments (including principal, premium, and additional amounts, if any, and interest) and transfers with respect to Notes in certificated form may be executed at the office or agency maintained for such purpose in London (initially the corporate trust office of the paying agent) or, at our option, by check mailed to the holders thereof at the respective addresses set forth in the register of holders of the Notes (maintained by the registrar), *provided* that all payments (including principal, premium, and additional amounts, if any, and interest) on Notes in certificated form, for which the holders thereof have given wire transfer instructions, will be required to be made by wire transfer of immediately available funds to the accounts specified by the holders thereof. No service charge will be made for any registration of transfer, but payment of a sum sufficient to cover any tax or governmental charge payable in connection with that registration may be required.

Paying Agent

The paying agent for the Notes is Elavon Financial Services DAC, UK Branch.

AMENDMENT NO. 1

AMENDMENT NO. 1 (this “Amendment”), dated as of May 22, 2023, to the Revolving Credit Agreement (2020-1AA), dated as of August 13, 2020, by and between WILMINGTON TRUST COMPANY, a Delaware trust company, not in its individual capacity but solely as Subordination Agent under the Intercreditor Agreement, as agent and trustee for the Class AA Trustee (in such capacity, together with its successors in such capacity, the “Borrower”), and BNP PARIBAS, a *société anonyme* organized under the laws of France, acting through its New York branch (the “Liquidity Provider”) (as amended, restated, supplemented or otherwise modified prior to the date hereof, the “Credit Agreement”).

WITNESSETH:

WHEREAS, the Borrower and the Liquidity Provider originally entered into the Credit Agreement, pursuant to which the Liquidity Provider may make certain loans and other extensions of credit to the Borrower;

WHEREAS, the Borrower and the Liquidity Provider wish to make certain amendments to the Credit Agreement as described herein; and

WHEREAS, in furtherance thereof, each party hereto hereby consents to the modifications to the Credit Agreement as set forth in Section 2 below (the Credit Agreement, as hereby modified by this Amendment, the “Amended Credit Agreement”).

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Amended Credit Agreement and used herein shall have the meanings given to them in the Amended Credit Agreement.

SECTION 2. Amendments. The Borrower and the Liquidity Provider agree that the Credit Agreement (excluding all Annexes thereto, each of which shall remain as in effect immediately prior to the Amendment No. 1 Effective Date (as defined below)) is, effective as of the Amendment No. 1 Effective Date, hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken-text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Amended Credit Agreement attached as Exhibit A hereto.

SECTION 3. Conditions to Effectiveness. This Amendment shall become effective on and as of the date (the “Amendment No. 1 Effective Date”) upon which the following conditions shall have been satisfied (or waived in accordance with Section 7.01 of the Credit Agreement):

(a) The Liquidity Provider shall have received this Amendment, executed and delivered by a duly authorized officer of the Borrower and the Liquidity Provider; and

(b) The Borrower shall have paid all fees and all reasonable and documented expenses required to be paid on or before the Amendment No. 1 Effective Date (including all fees, charges and disbursements of counsel to the Liquidity Provider (directly to such counsel if requested by the Liquidity Provider)).

SECTION 4. Representations and Warranties. On and as of the Amendment No. 1 Effective Date, after giving effect to this Amendment, the Borrower hereby represents and warrants to the Liquidity Provider that this Amendment has been duly authorized by all necessary corporate or other organizational action. This Amendment has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 5. No Other Amendment or Waivers; Confirmation. This Amendment shall not constitute a novation of any of the obligations under the Credit Agreement. Except as expressly provided hereby, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect. The amendments contained herein shall not be construed as an amendment or waiver of any other provision of the Amended Credit Agreement or for any purpose except as expressly set forth herein or a consent to any further or future action on the part of the Borrower that would require the waiver or consent of the Liquidity Provider.

SECTION 6. GOVERNING LAW; WAIVER OF JURY TRIAL. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY AGREES AS SET FORTH IN SECTION 7.11 OF THE AMENDED CREDIT AGREEMENT AS IF SUCH SECTION WAS SET FORTH IN FULL HEREIN.

SECTION 7. Miscellaneous. (a) This Amendment may be executed in counterparts in accordance with Section 7.12 of the Credit Agreement (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Amendment.

(b) The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including permitted assignees of Advances in whole or in part prior to effectiveness hereof).

SECTION 8. Severability. If any provision of this Amendment or the Amended Credit Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment and the Amended Credit Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 9. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

SECTION 10. Borrower Acknowledgments. (a) The Borrower hereby (i) expressly acknowledges the terms of the Amended Credit Agreement, (ii) ratifies and affirms its obligations under the Amended Credit Agreement, (iii) acknowledges, renews and extends its continued liability under the Amended Credit Agreement and agrees the Amended Credit Agreement remains in full force and effect and (iv) further confirms that the Amended Credit Agreement is and shall continue to be in full force and effect and the same is hereby ratified and confirmed in all respects.

(b) The Borrower hereby reaffirms, as of the Amendment No. 1 Effective Date, the covenants and agreements contained in the Amended Credit Agreement, including, such covenants and agreements as in effect immediately after giving effect to this Amendment and the transactions contemplated thereby.

(c) From and after the Amendment No. 1 Effective Date, each reference in the Credit Agreement to “hereunder,” “hereof,” “this Agreement” or words of like import shall, unless the context otherwise requires, mean and be a reference to the Credit Agreement as amended by this Amendment.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

WILMINGTON TRUST COMPANY,
not in its individual capacity but solely as Subordination
Agent, as agent and trustee for the Class AA Trust, as
Borrower

By: /s/ Adam R. Vogelsong
Name: Adam R. Vogelsong
Title: Vice President

[Signature Page to Amendment No. 1 to the Revolving Credit Agreement (2020-1 AA)]

BNP PARIBAS,
as Liquidity Provider

By: /s/ Steven Parsons
Name: Steven Parsons
Title: Managing Director

By: /s/ Chris Fukuoka
Name: Chris Fukuoka
Title: Director

[Signature Page to Amendment No. 1 to the Revolving Credit Agreement (2020-1 AA)]

Exhibit A

Amended Credit Agreement

[Attached]

Execution Version

REVOLVING CREDIT AGREEMENT
(2020-1AA)

Dated as of August 13, 2020

between

WILMINGTON TRUST COMPANY,
as Subordination Agent,
as agent and trustee for the trustee of
FedEx Pass Through Trust 2020-1AA,

as Borrower

and

BNP PARIBAS, acting through its New York Branch,

as Liquidity Provider

FedEx Pass Through Trust 2020-1AA
FedEx
Pass Through Certificates, Series 2020-1AA

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**REVOLVING CREDIT AGREEMENT
(2020-1AA)**

This REVOLVING CREDIT AGREEMENT (2020-1AA), dated as of August 13, 2020, is made by and between WILMINGTON TRUST COMPANY, a Delaware trust company, not in its individual capacity but solely as Subordination Agent (such term and other capitalized terms used herein without definition being defined as provided in Article I) under the Intercreditor Agreement (as defined below), as agent and trustee for the Class AA Trustee (in such capacity, together with its successors in such capacity, the “*Borrower*”), and BNP PARIBAS, a *société anonyme* organized under the laws of France, acting through its New York branch (the “*Liquidity Provider*”).

W I T N E S S E T H:

WHEREAS, pursuant to the Class AA Trust Agreement, the Class AA Trust is issuing the Class AA Certificates; and WHEREAS, the Borrower, in order to support the timely payment of a portion of the interest on the Class AA Certificates in accordance with their terms, has requested the Liquidity Provider to enter into this Agreement, providing in part for the Borrower to request in specified circumstances that Advances be made hereunder;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and of other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. (a) The definitions stated herein apply equally to both the singular and the plural forms of the terms defined.

(b) All references in this Agreement to designated “Articles”, “Sections”, “Annexes” and other subdivisions are to the designated Article, Section, Annex or other subdivision of this Agreement, unless otherwise specifically stated.

(c) The words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Annex or other subdivision.

(d) Unless the context otherwise requires, whenever the words “including”, “include” or “includes” are used herein, it shall be deemed to be followed by the phrase “without limitation”.

(e) All references in this Agreement to a Person shall include successors and permitted assigns of such Person.

(f) For the purposes of this Agreement, unless the context otherwise requires, the following capitalized terms shall have the following meanings:

“Adjusted Term SOFR” means, for purposes of any calculation and subject to the provisions of Section 3.11(a), the rate per annum equal to (a) Term SOFR for such calculation plus (b) the Term SOFR Adjustment; provided that if Adjusted Term SOFR as so determined shall ever be less than the Floor, then Adjusted Term SOFR shall be deemed to be the Floor.

“Advance” means an Interest Advance, a Final Advance, a Provider Advance, an Unapplied Provider Advance, an Applied Provider Advance, a Special Termination Advance, an Unapplied Special Termination Advance, an Applied Special Termination Advance or an Unpaid Advance, as the case may be.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Agreement” means this Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Applicable Liquidity Rate” has the meaning specified in Section 3.07(h).

“Applicable Margin” means (a) with respect to any Interest Advance, Final Advance, Applied Provider Advance or Applied Special Termination Advance, 2.50% per annum, (b) with respect to any Unapplied Provider Advance, the rate per annum specified in the Fee Letter or (c) with respect to any Unapplied Special Termination Advance, the rate per annum specified in the Fee Letter.

“Applied Downgrade Advance” has the meaning specified in Section 2.06(a).

“Applied Non-Extension Advance” has the meaning specified in Section 2.06(a).

“Applied Provider Advance” means an Applied Downgrade Advance or an Applied Non- Extension Advance.

“Applied Special Termination Advance” has the meaning specified in Section 2.05.

“Available Tenor” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) that is or may be used for determining the length of an interest period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to Section 3.11(d).

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Base Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the sum of (a) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System ~~arranged by Federal funds brokers~~, as published for each day in the period for which the Base Rate is to be determined (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York, ~~or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Liquidity Provider from three Federal funds brokers of recognized standing selected by it (and reasonably satisfactory to FedEx)~~ plus (b) one-quarter of one percent (0.25%).

“Base Rate Advance” means an Advance that bears interest at a rate based upon the Base Rate.

“Benchmark” means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 3.11(a).

“Benchmark Replacement ~~Event~~” means, ~~in respect of the London Interbank Offered Rate or any successor~~ with respect to any Benchmark Transition Event, the first alternative set forth in the order below that can be determined by the Liquidity Provider for the applicable Benchmark Replacement ~~Rate, an event where the applicable administrator (or other applicable source) for such rate permanently or indefinitely ceases to provide such rate, without any successor administrator (or other applicable source) continuing to provide such rate.~~ Date:

“Benchmark Replacement Rate” means, following the occurrence of a Benchmark Replacement Event (with respect to the London Interbank Offered Rate or any then applicable successor Benchmark Replacement Rate (the “Terminating Rate”)), or at the request of FedEx Express or the Liquidity Provider in anticipation thereof following any applicable public statement from the administrator or regulatory supervisor (or other applicable authority or source) identifying a specific date for occurrence of such Benchmark Replacement Event, an applicable alternate rate of interest (including any relevant adjusting spread) to such Terminating Rate that gives due consideration to (i) the then prevailing market convention for determining a rate of interest for U.S. dollar-denominated credit facilities at such time (as the applicable

market replacement for such Terminating Rate) and (ii) the requirements under proposed U.S. Treasury regulations section 1.1001-6 and any successor regulations or guidance relating thereto, to the extent applicable, for the replacement of such Terminating Rate with such alternate rate of interest and any associated alteration not to be treated as a taxable exchange for U.S. federal income tax purposes, as determined pursuant to mutual written agreement of FedEx Express and the Liquidity Provider, each acting reasonably:

(a) the sum of (i) Daily Simple SOFR and (ii) 0.11448% (11.448 basis points); or

(b) the sum of: (i) the alternate benchmark rate that has been selected by the Liquidity Provider and FedEx giving due consideration to (A) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (B) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement to the then-current Benchmark for Dollar-denominated bilateral credit facilities and (ii) the related Benchmark Replacement Adjustment.

If the Benchmark Replacement as determined pursuant to clause (a) or (b) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement.

“**Benchmark Replacement Adjustment**” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Liquidity Provider and FedEx giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar-denominated bilateral credit facilities at such time.

“**Benchmark Replacement Date**” means the earliest to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof); or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the first date on which all Available Tenors of such Benchmark (or the published component used in the calculation thereof) has been or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof) have been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be non-representative; provided that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date.

For the avoidance of doubt, if such Benchmark is a term rate, the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (a) or (b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Transition Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof);

(b) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof) or, if such Benchmark is a term rate, any Available Tenor of such Benchmark (or such component thereof); or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such Benchmark (or such component thereof) or, if such Benchmark is a term rate, all Available Tenors of such Benchmark (or such component thereof) are not, or as of a specified future date will not be, representative.

For the avoidance of doubt, if such Benchmark is a term rate, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“**Benchmark Unavailability Period**” means the period (if any) (a) beginning at the time that a Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder in accordance with Section 3.11 and (b) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder in accordance with Section 3.11.

“**Borrower**” has the meaning specified in the introductory paragraph to this Agreement.

“**Borrowing**” means the making of Advances requested by delivery of a Notice of Borrowing.

“**Business Day**” means any day other than a Saturday, a Sunday or a day on which commercial banks are required or authorized to close in New York, New York, Wilmington, Delaware, or, so long as any Class AA Certificate is outstanding, the city and state in which the Class AA Trustee, the Borrower or any related Loan Trustee maintains its Corporate Trust Office or receives or disburses funds, ~~and, if the applicable Business Day relates to any Advance or other amount bearing interest based on the LIBOR Rate, on which dealings are carried on in the London interbank market.~~

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**Conforming Changes**” means, with respect to either the use or administration of Adjusted Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Section 3.09 and other technical, administrative or operational matters) that the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Liquidity Provider in a manner substantially consistent

with market practice (or, if the Liquidity Provider decides that adoption of any portion of such market practice is not administratively feasible or if the Liquidity Provider determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), decides is reasonably necessary in connection with the administration of this Agreement).

“Covered Taxes” means any Taxes imposed by the United States, or any political subdivision or taxing authority thereof or therein, that are required by law to be deducted or withheld from any amounts payable to the Liquidity Provider under this Agreement other than (i) any such Tax on, based on or measured by net income, franchises or conduct of business, (ii) any such Tax imposed, levied, withheld or assessed as a result of any connection between the Liquidity Provider and the United States or such political subdivision or taxing authority, other than a connection arising solely from the Liquidity Provider’s having executed, delivered, performed its obligations or received a payment under, or enforced, any Operative Agreement, any such Tax attributable to the inaccuracy in or breach by the Liquidity Provider of any of its representations, warranties or covenants contained in any Operative Agreement to which it is a party or the inaccuracy of any form, certificate or document furnished pursuant thereto, (iv) any such withholding Taxes imposed by the United States except to the extent such withholding Taxes would not have been required to be deducted or withheld from payments hereunder but for a change after the date hereof in the Code or the Treasury Regulations thereunder that affects the exemption for income that is effectively connected with the conduct of a trade or business within the United States, (v) any withholding Taxes imposed by the United States which are imposed or increased as a result of the Liquidity Provider failing to deliver to the Borrower any form, certificate or document (which form, certificate or document, in the good faith judgment of the Liquidity Provider, it is legally entitled to provide) which is reasonably requested by the Borrower to establish that payments under this Agreement are exempt from (or entitled to a reduced rate of) withholding Tax, (vi) any such Taxes that would not have been imposed but for any change in the Lending Office without the prior written consent of FedEx (such consent not to be unreasonably withheld), or (vii) any Taxes imposed under FATCA.

“Daily Simple SOFR” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided that if the Liquidity Provider decides that any such convention is not administratively feasible for the Liquidity Provider, then the Liquidity Provider may, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), establish another convention in its reasonable discretion.

“Downgrade Advance” means an Advance made pursuant to Section 2.02(b)(ii).

“Downgrade Event” means any downgrading of, or any suspension or withdrawal of any applicable rating of, the Liquidity Provider by any Rating Agency such that after such

downgrading, suspension or withdrawal the Liquidity Provider does not have the minimum Long-Term Rating specified for such Rating Agency in the definition of “Threshold Rating”. The occurrence of a Downgrade Event shall be determined separately for each Rating Agency. For the avoidance of doubt, a Downgrade Event shall not occur with respect to a Rating Agency so long as the Liquidity Provider has either of the applicable Threshold Ratings specified for such Rating Agency.

“**EEA Financial Institution**” means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country that is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” has the meaning specified in Section 4.01. The delivery of the certificate of the Liquidity Provider contemplated by Section 4.01(e) shall be conclusive evidence that the Effective Date has occurred.

“**EU Bail-In Legislation Schedule**” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“**Excluded Taxes**” means (a) Taxes imposed on the overall net income of the Liquidity Provider, (b) Taxes imposed on the “effectively connected income” of its Lending Office, (c) Covered Taxes that are indemnified pursuant to Section 3.03 hereof, and (d) Taxes described in clauses (i) through (vii) in the definition of “**Covered Taxes**”.

“**Expenses**” means liabilities, obligations, losses, damages, costs, penalties, claims, actions, suits, expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel), provided that Expenses shall not include any Taxes other than sales, use and V.A.T. taxes imposed on fees and expenses payable pursuant to Section 7.07.

“**Expiry Date**” means the earlier of (a) the anniversary date of the Closing Date immediately following the date on which the Liquidity Provider has provided a Non-Extension Notice to the Borrower pursuant to Section 2.10 and (b) the 15th day after the Final Legal Distribution Date of the Class AA Certificates.

“**FATCA**” means Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor provisions that are substantively comparable and not

materially more onerous to comply with); any current or future regulations or official interpretations thereof; any agreements entered into pursuant to Section 1471(b)(1) of the Code; any intergovernmental agreement entered into in connection with any of the foregoing; and any fiscal or regulatory legislation, rules or practices adopted pursuant to any such intergovernmental agreement.

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System of the United States.

“Final Advance” means an Advance made pursuant to Section 2.02(c).

“Floor” means a rate of interest equal to 0%.

“Head Office” has the meaning specified in Section 7.18.

“Increased Cost” has the meaning specified in Section 3.01.

“Intercreditor Agreement” means the Intercreditor Agreement, dated as of the date hereof, among the Trustees, the Liquidity Provider, the liquidity provider under each Liquidity Facility (other than this Agreement), and the Subordination Agent, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Interest Advance” means an Advance made pursuant to Section 2.02(a).

“Interest Period” means, with respect to any ~~LIBOR~~SOFR Advance, each of the following periods:

(i) the period beginning on the third Business Day following either (A) the Liquidity Provider’s receipt of the Notice of Borrowing for such ~~LIBOR~~SOFR Advance or (B) the date of the withdrawal of funds from the Class AA Cash Collateral Account for the purpose of paying interest on the Class AA Certificates as contemplated by Section 2.06(a) hereof and, in each case, ending on the next succeeding Regular Distribution Date; and

(ii) each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the next succeeding Regular Distribution Date;

provided, however, that if (x) the Final Advance shall have been made pursuant to Section 2.02(c) or (y) other outstanding Advances shall have been converted into the Final Advance pursuant to Section 6.01(a), then the Interest Periods shall be successive periods of one month beginning on (A) the third Business Day following the Liquidity Provider’s receipt of the Notice of Borrowing for such Final Advance (in the case of clause (x) above) or (B) the Regular Distribution Date following such conversion (in the case of clause (y) above).

“Lending Office” means the lending office of the Liquidity Provider through which it acts for purposes of this Agreement, which is presently located at 525 Washington Blvd # 600,

Jersey City, NJ 07310 or such other lending office as the Liquidity Provider from time to time shall notify the Borrower as its lending office hereunder; provided that the Liquidity Provider shall not change its Lending Office without the prior written consent of FedEx (such consent not to be unreasonably withheld).

~~“**LIBOR Advance**” means an Advance bearing interest at a rate based upon the LIBOR Rate.~~

~~“**LIBOR Rate**” means, with respect to any Interest Period, (a) the interest rate per annum equal to the London Interbank Offered Rate per annum administered by ICE Benchmark Administration Limited (or any other successor person which takes over administration of that rate) for Dollar deposits, which rate is displayed on the Reuters Screen LIBOR01 (or such other page or screen as may replace such Reuters Screen) at approximately 11:00 a.m. (London time) on the day that is two Business Days prior to the first day of such Interest Period, for a period comparable to such Interest Period, or (b) if no such rate appears on such Reuters Screen (or otherwise as aforesaid), the interest rate per annum equal to the average (rounded up, if necessary, to the nearest 1/100th of 1%) of the rates per annum at which deposits in Dollars are offered by the Reference Banks (or, if fewer than all of the Reference Banks are quoting a rate for deposits in Dollars for the applicable period and amount, such fewer number of Reference Banks) at approximately 11:00 a.m. (London time) on the day that is two Business Days prior to the first day of such Interest Period to prime banks in the London interbank market for a period comparable to such Interest Period and in an amount approximately equal to the principal amount of the LIBOR Advance to be outstanding during such Interest Period, or (c) if none of the Reference Banks is quoting a rate for deposits in Dollars in the London interbank market for such a period and amount, the interest rate per annum equal to the average (rounded up, if necessary, to the nearest 1/100th of 1%) of the rates at which deposits in Dollars are offered by the principal New York offices of the Reference Banks (or, if fewer than all of the Reference Banks are quoting a rate for deposits in Dollars in the New York interbank market for the applicable period and amount, such fewer number of Reference Banks) at approximately 11:00 a.m. (New York time) on the day that is two Business Days prior to the first day of such Interest Period to prime banks in the New York interbank market for a period comparable to such Interest Period and in an amount approximately equal to the principal amount of the LIBOR Advance to be outstanding during such Interest Period, or (d) if none of the principal New York offices of the Reference Banks is quoting a rate for deposits in Dollars in the New York interbank market for the applicable period and amount, the Base Rate; provided that, if a Benchmark Replacement Event has occurred (or an applicable Benchmark Replacement Rate has otherwise been established with agreed effectiveness prior to such Benchmark Replacement Event), the LIBOR Rate shall be the lower of (i) the Base Rate and (ii) the Benchmark Replacement Rate (if then established and effective); provider, further, that, if the LIBOR Rate determined as provided above with respect to any LIBOR Advance for any Interest Period would be less than zero, then the LIBOR Rate with respect to such LIBOR Advance shall be deemed to be zero.~~

~~“**Liquidity Event of Default**” means the occurrence of either (a) the Acceleration of all of the Equipment Notes or (b) a FedEx Bankruptcy Event.~~

“Liquidity Indemnitor” means the Liquidity Provider, its directors, officers, employees and agents, and its successors and permitted assigns.

“Liquidity Provider” has the meaning specified in the introductory paragraph to this Agreement.

“Maximum Available Commitment” means, subject to the proviso contained in the third sentence of Section 2.02(a), at any time of determination, (a) the Maximum Commitment at such time less (b) the aggregate amount of each Interest Advance outstanding at such time; provided that, subject to Section 2.06(d), following a Provider Advance, a Special Termination Advance or a Final Advance, the Maximum Available Commitment shall be zero.

“Maximum Commitment” means \$27,634,896.00, as the same may be reduced from time to time in accordance with Section 2.04(a).

“Non-Extension Advance” means an Advance made pursuant to Section 2.02(b)(i).

“Non-Extension Notice” has the meaning specified in Section 2.10.

“Notice of Borrowing” has the meaning specified in Section 2.02(e).

“Notice of Replacement Subordination Agent” has the meaning specified in Section 3.08.

“Participation” has the meaning specified in Section 7.08(b).

“Performing Note Deficiency” means any time that less than 65% of the then aggregate outstanding principal amount of all Series AA Equipment Notes and Series A Equipment Notes are Performing Equipment Notes.

“Permitted Transferee” means any Person that:

(a) is not a commercial air carrier, FedEx or any affiliate of FedEx; and

(b) is any one of:

(1) a commercial banking institution organized under the laws of the United States or any state thereof or the District of Columbia;

(2) a commercial banking institution that (x) is organized under the laws of France, Germany, The Netherlands, Switzerland or the United Kingdom, (y) is entitled on the date it acquires any Participation to a complete exemption from United States federal income Taxes for all income derived by it from the transactions contemplated by the Operative Agreements under an income tax treaty, as in effect on such date, between the United States and such jurisdiction of its organization and (z) is engaged in the active conduct of a banking business in such jurisdiction of its organization, holds its

Participation in connection with such banking business in such jurisdiction and is regulated as a commercial banking institution by the appropriate regulatory authorities in such jurisdiction; or

(3) a commercial banking institution that (x) is organized under the laws of Canada, France, Germany, Ireland, Japan, Luxembourg, The Netherlands, Sweden, Switzerland or the United Kingdom and (y) is entitled on the date it acquires any Participation to a complete exemption from withholding of United States federal income Taxes for all income derived by it from the transactions contemplated by the Operative Agreements under laws as in effect on such date by reason of such income being effectively connected with the conduct of a trade or business within the United States.

“Periodic Term SOFR Determination Day” has the meaning specified in the definition of “Term SOFR”

“Prospectus Supplement” means the Prospectus Supplement, dated July 30, 2020, relating to the Class AA Certificates, as such Prospectus Supplement may be amended or supplemented.

“Provider Advance” means a Downgrade Advance or a Non-Extension Advance.

“Rate Determination Notice” has the meaning specified in Section 3.07(g).

~~**“Reference Banks”** means the principal London offices of: Deutsche Bank AG; Citibank, N.A. and JPMorgan Chase Bank; and/or such other or additional banking institutions as may be designated from time to time by mutual agreement of FedEx and the Liquidity Provider.~~

“Regulatory Change” means (x) the enactment, adoption or promulgation, after the date of this Agreement, of any law or regulation or the adoption or making of any interpretations, directives or requirements applying to a class of banks including the Liquidity Provider, in each by a United States federal or state government or by any government having jurisdiction over the Liquidity Provider, or any change, after the date of this Agreement, in any such law, regulation, interpretation, directive or requirements, or in the interpretation thereof by any governmental authority, court, central bank or comparable agency of the United States or any government having jurisdiction over the Liquidity Provider charged with responsibility for the administration or application thereof, that shall impose, modify or deem applicable, or (y) the compliance by the Liquidity Provider (or its Head Office) with any applicable direction or requirement (whether or not having the force of law) of any central bank or competent governmental or other authority, after the date of this Agreement, with respect to: (a) any reserve, special deposit or similar requirement against extensions of credit or other assets of, or deposits with or other liabilities of, the Liquidity Provider including, or by reason of, the Advances, or (b) any capital adequacy requirement requiring the maintenance by the Liquidity Provider of additional capital in respect of any Advances or the Liquidity Provider’s obligation to make any such Advances, or (c) any requirement to maintain liquidity or liquid assets in respect of the Liquidity Provider’s obligation to make any such Advances, or (d) any Taxes (other than Excluded Taxes) with respect to the

amounts payable or paid hereunder to the Liquidity Provider or any change in the basis of taxation of any amounts payable hereunder to the Liquidity Provider (other than in respect of Excluded Taxes).

“Relevant Governmental Body” means the Federal Reserve Board or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board or the Federal Reserve Bank of New York, or any successor thereto.

“Replenishment Amount” has the meaning specified in Section 2.06(b).

“Required Amount” means, for any day, the sum of the aggregate amount of interest, calculated at the rate per annum equal to the Stated Interest Rate for the Class AA Certificates on the basis of a 360-day year comprised of twelve 30-day months, that would be distributable on the Class AA Certificates on each of the three successive semiannual Regular Distribution Dates immediately following such day or, if such day is a Regular Distribution Date, on such day and the succeeding two semiannual Regular Distribution Dates, in each case calculated on the basis of the Pool Balance of the Class AA Certificates on such day and without regard to expected future distributions of principal on the Class AA Certificates.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“SOFR” means a rate equal to the secured overnight financing rate as administered by the SOFR Administrator.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Advance” means an Advance that bears interest at a rate based on Adjusted Term SOFR in accordance with this Agreement.

“Special Termination Advance” means an Advance made pursuant to Section 2.02(d).

“Special Termination Notice” means the Notice of Special Termination substantially in the form of **Annex VII** to this Agreement.

“Term SOFR” means, for any calculation with respect to a SOFR Advance, the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the **“Periodic Term SOFR Determination Day”**) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator, provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR

Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day.

“Term SOFR Adjustment” means a percentage equal to 0.42826% per annum.

“Term SOFR Administrator” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Liquidity Provider in its reasonable discretion).

“Term SOFR Reference Rate” means the forward-looking term rate based on SOFR.

“**Termination Date**” means the earliest to occur of the following: (i) the Expiry Date; (ii) the date on which the Borrower delivers to the Liquidity Provider a certificate, signed by a Responsible Officer of the Borrower, certifying that all of the Class AA Certificates have been paid in full (or provision has been made for such payment in accordance with the Intercreditor Agreement and the Class AA Trust Agreement) or are otherwise no longer entitled to the benefits of this Agreement; (iii) the date on which the Borrower delivers to the Liquidity Provider a certificate, signed by a Responsible Officer of the Borrower, certifying that a Replacement Liquidity Facility has been substituted for this Agreement in full pursuant to Section 3.05(e) of the Intercreditor Agreement; (iv) the fifth Business Day following the receipt by the Borrower of a Termination Notice or a Special Termination Notice from the Liquidity Provider pursuant to Section 6.01(a) or 6.01(b), as applicable; and (v) the date on which no Advance is or may (including by reason of reinstatement as herein provided) become available for a Borrowing hereunder.

“**Termination Notice**” means the Notice of Termination substantially in the form of **Annex VI** to this Agreement.

“**UK Financial Institution**” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended ~~form~~from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“**UK Resolution Authority**” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“**Unapplied Advance**” has the meaning specified in Section 3.07(e).

“**Unapplied Downgrade Advance**” means the portion of any Downgrade Advance that is not an Applied Downgrade Advance.

“Unapplied Non-Extension Advance” means the portion of any Non-Extension Advance that is not an Applied Non-Extension Advance.

“Unapplied Provider Advance” means the portion of any Provider Advance that is not an Applied Provider Advance.

“Unapplied Special Termination Advance” means the portion of any Special Termination Advance that is not an Applied Special Termination Advance.

“Unpaid Advance” has the meaning specified in Section 2.05.

“U.S. Government Securities Business Day” means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which ~~write-down~~write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

For the purposes of this Agreement, the following terms shall have the respective meanings specified in the Intercreditor Agreement:

“Acceleration”, “Additional Certificates”, “Aircraft”, “Certificate”, “Class AA Cash Collateral Account” “Class AA Certificates”, “Class AA Certificateholders”, “Class AA Trust”, “Class AA Trust Agreement”, “Class AA Trustee”, “Closing Date”, “Collection Account”, “Corporate Trust Office”, “Distribution Date”, “Dollars”, “Downgrade Drawing”, “Downgraded Facility”, “Equipment Notes”, “FedEx”, “FedEx Bankruptcy Event”, “Fee Letter”, “Final Legal Distribution Date”, “Indenture”, “Interest Payment Date”, “Investment Earnings”, “Liquidity Facility”, “Loan Trustee”, “Long-Term Rating”, “Non- Extended Facility”, “Operative Agreements”, “Participation Agreements”, “Performing Equipment Note”, “Person”, “Pool Balance”, “Rating Agencies”, “Regular Distribution Date”, “Replacement Liquidity Facility”, “Responsible Officer”, “Scheduled Payment”, “Series AA Equipment Notes”, “Series A Equipment Notes”, “Special Payment”, “Stated Interest Rate”, “Subordination Agent”, “Taxes”, “Threshold Rating”, “Treasury Regulations”, “Trust Agreement”, “Trustee”, “Underwriters”, “Underwriting Agreement”, and “United States”.

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENT

Section 2.01 The Advances. The Liquidity Provider hereby irrevocably agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until 12:00 noon (New York City time) on the Expiry Date (unless the obligations of the Liquidity Provider shall be earlier terminated in accordance with the terms of Section 2.04(b)) in an aggregate amount at any time outstanding not to exceed the Maximum Commitment.

Section 2.02 Making of Advances. (a) Each Interest Advance shall be made by the Liquidity Provider upon delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of **Annex I**, signed by a Responsible Officer of the Borrower, such Interest Advance to be in an amount not exceeding the Maximum Available Commitment at such time and used solely for the payment when due of interest with respect to the Class AA Certificates at the Stated Interest Rate therefor in accordance with Section 3.05(a) and 3.05(b) of the Intercreditor Agreement. Each Interest Advance made hereunder shall automatically reduce the Maximum Available Commitment and the amount available to be borrowed hereunder by subsequent Advances by the amount of such Interest Advance (subject to reinstatement as provided in the next sentence). Upon repayment to the Liquidity Provider in full or in part of the amount of any Interest Advance made pursuant to this Section 2.02(a), together with accrued interest thereon (as provided herein), the Maximum Available Commitment shall be reinstated by an amount equal to the amount of such Interest Advance so repaid, but not to exceed the Maximum Commitment; provided, however, that the Maximum Available Commitment shall not be so reinstated at any time if (x) both a Performing Note Deficiency exists and a Liquidity Event of Default shall have occurred and be continuing or (y) a Final Advance, a Downgrade Advance, a Non-Extension Advance or a Special Termination Advance shall have occurred, except as provided in Section 2.06(d) with respect to a Downgrade Drawing.

(b) (i) A Non-Extension Advance shall be made by the Liquidity Provider in a single Borrowing if this Agreement is not extended in accordance with Section 3.05(d) of the Intercreditor Agreement unless a Replacement Liquidity Facility to replace this Agreement shall have been previously delivered to the Borrower in accordance with said Section 3.05(d), upon delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of **Annex II**, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Class AA Cash Collateral Account in accordance with Sections 3.05(d) and 3.05(f) of the Intercreditor Agreement.

(ii) A Downgrade Advance shall be made by the Liquidity Provider in a single Borrowing upon this Liquidity Facility becoming a Downgraded Facility (as provided for in Section 3.05(c) of the Intercreditor Agreement) unless a Replacement Liquidity Facility to replace this Agreement

shall have been previously delivered to the Borrower in accordance with said Section 3.05(c), upon delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of **Annex III**, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Class AA Cash Collateral Account in accordance with Sections 3.05(c) and 3.05(f) of the Intercreditor Agreement.

(c) A Final Advance shall be made by the Liquidity Provider in a single Borrowing following the receipt by the Borrower of a Termination Notice from the Liquidity Provider pursuant to Section 6.01(a) upon delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of **Annex IV**, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Class AA Cash Collateral Account in accordance with Sections 3.05(f) and 3.05(i) of the Intercreditor Agreement.

(d) A Special Termination Advance shall be made in a single Borrowing upon the receipt by the Borrower of a Special Termination Notice from the Liquidity Provider pursuant to Section 6.01(b), by delivery to the Liquidity Provider of a written and completed Notice of Borrowing in substantially the form of **Annex V**, signed by a Responsible Officer of the Borrower, in an amount equal to the Maximum Available Commitment at such time, and shall be used to fund the Class AA Cash Collateral Account in accordance with Section 3.05(f) and Section 3.05(k) of the Intercreditor Agreement.

(e) Each Borrowing shall be made by notice in writing (a “**Notice of Borrowing**”) in substantially the form required by Section 2.02(a), 2.02(b), 2.02(c) or 2.02(d), as the case may be, given by the Borrower to the Liquidity Provider. If a Notice of Borrowing is delivered by the Borrower in respect of any Borrowing no later than 12:30 p.m. (New York City time) on a Business Day, upon satisfaction of the conditions precedent set forth in Section 4.02 with respect to such requested Borrowing, the Liquidity Provider shall make available to the Borrower, in accordance with its payment instructions, the amount of such Borrowing in Dollars and immediately available funds, before 4:00 p.m. (New York City time) on such Business Day or before 12:30 p.m. (New York City time) on such later Business Day specified in such Notice of Borrowing. If a Notice of Borrowing is delivered by the Borrower in respect of any Borrowing after 12:30 p.m. (New York City time) on a Business Day, upon satisfaction of the conditions precedent set forth in Section 4.02 with respect to such requested Borrowing, the Liquidity Provider shall make available to the Borrower, in accordance with its payment instructions, the amount of such Borrowing in Dollars and immediately available funds, before 1:00 p.m. (New York City time) on the first Business Day next following the day of receipt of such Notice of Borrowing or on such later Business Day specified by the Borrower in such Notice of Borrowing. Payments of proceeds of a Borrowing shall be made by wire transfer of immediately available funds to the Borrower in accordance with

such wire transfer instructions as the Borrower shall furnish from time to time to the Liquidity Provider for such purpose. Each Notice of Borrowing shall be irrevocable and binding on the Borrower. Each Notice of Borrowing shall be effective upon delivery of a copy thereof to the Liquidity Provider at the address and in the manner specified in Section 7.02 hereof.

(f) Upon the making of any Advance requested pursuant to a Notice of Borrowing in accordance with the Borrower's payment instructions, the Liquidity Provider shall be fully discharged of its obligation hereunder with respect to such Notice of Borrowing, and the Liquidity Provider shall not thereafter be obligated to make any further Advances hereunder in respect of such Notice of Borrowing to the Borrower or to any other Person (including the Class AA Trustee or any Class AA Certificateholder). If the Liquidity Provider makes an Advance requested pursuant to a Notice of Borrowing before 12:00 noon (New York City time) on the second Business Day after the date of payment specified in Section 2.02(e), the Liquidity Provider shall have fully discharged its obligations hereunder with respect to such Advance and an event of default shall not have occurred hereunder. Following the making of any Advance pursuant to Section 2.02(b), 2.02(c) or 2.02(d) to fund the Class AA Cash Collateral Account, the Liquidity Provider shall have no interest in or rights to the Class AA Cash Collateral Account, such Advance or any other amounts from time to time on deposit in the Class AA Cash Collateral Account; provided that the foregoing shall not affect or impair the obligations of the Subordination Agent to make the distributions contemplated by Section 3.05(c)(v), 3.05(e) or 3.05(f) of the Intercreditor Agreement and provided, further, that the foregoing shall not affect or impair the rights of the Liquidity Provider to provide written instructions with respect to the investment and reinvestment of amounts in the Class AA Cash Collateral Account to the extent the Liquidity Provider is entitled to do so pursuant to Section 2.02(b) of the Intercreditor Agreement. By paying to the Borrower proceeds of Advances requested by the Borrower in accordance with the provisions of this Agreement, the Liquidity Provider makes no representation as to, and assumes no responsibility for, the correctness or sufficiency for any purpose of the amount of the Advances so made and requested.

Section 2.03 Fees. The Borrower agrees to pay to the Liquidity Provider the fees set forth in the Fee Letter.

Section 2.04 Reduction or Termination of the Maximum Commitment. (a) Automatic Reduction. Promptly following each date on which the Required Amount is reduced as a result of a reduction in the Pool Balance of the Class AA Certificates, the Maximum Commitment shall automatically be reduced to an amount equal to such reduced Required Amount (as calculated by the Borrower). The Borrower shall give notice of any such automatic reduction of the Maximum Commitment to the Liquidity Provider and FedEx within two Business Days thereof. The failure by the Borrower to furnish any such notice shall not affect any such automatic reduction of the Maximum Commitment.

(b) Termination. Upon the making of any Provider Advance or Special Termination Advance or the making of or conversion to a Final Advance hereunder or the occurrence of the Termination Date, the obligation of the Liquidity Provider to make further Advances hereunder shall automatically and irrevocably terminate, and the Borrower shall not be entitled to request any further Borrowing hereunder, except in the case of a Downgrade Advance, as provided in Section 2.06(d).

Section 2.05 Repayments of Interest Advances, the Special Termination Advance or the Final Advance. Subject to Sections 2.06, 2.07 and 2.09 hereof, the Borrower hereby agrees, without notice of an Advance or demand for repayment from the Liquidity Provider (which notice and demand are hereby waived by the Borrower), to pay, or to cause to be paid, to the Liquidity Provider (a) on each date on which the Liquidity Provider shall make an Interest Advance, the Special Termination Advance or the Final Advance, an amount equal to the amount of such Advance (any such Advance, until repaid, is referred to herein as an “**Unpaid Advance**”) (if multiple Interest Advances are outstanding any such repayment to be applied in the order in which such Interest Advances have been made, starting with the earliest), plus (b) interest on the amount of each such Unpaid Advance in the amounts and on the dates determined as provided in Section 3.07; provided that if (i) the Liquidity Provider shall make a Provider Advance at any time after making one or more Interest Advances which shall not have been repaid in accordance with this Section 2.05 or (ii) this Liquidity Facility shall become a Downgraded Facility or Non- Extended Facility at any time when unreimbursed Interest Advances have reduced the Maximum Available Commitment to zero, then such Interest Advances shall cease to constitute Unpaid Advances and shall be deemed to have been changed into an Applied Downgrade Advance or an Applied Non-Extension Advance, as the case may be, for all purposes of this Agreement (including, without limitation, for the purpose of determining when such Interest Advance is required to be repaid to the Liquidity Provider in accordance with Section 2.06 and for the purposes of Section 2.06(b)); provided, further, that amounts in respect of a Special Termination Advance withdrawn from the Class AA Cash Collateral Account for the purpose of paying interest on the Class AA Certificates in accordance with Section 3.05(f) of the Intercreditor Agreement (the portion of the outstanding Special Termination Advance equal to the amount of any such withdrawal, but not in excess of the outstanding Special Termination Advance, being an “**Applied Special Termination Advance**”) shall thereafter (subject to Section 2.06(b)) be treated as an Interest Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon; provided, further, that if, following the making of a Special Termination Advance, the Liquidity Provider delivers a Termination Notice to the Borrower pursuant to Section 6.01(a), such Special Termination Advance (including any portion thereof that is an Applied Special Termination Advance) shall thereafter be treated as a Final Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon; and, provided, further, that if, after making a Provider Advance, the Liquidity Provider delivers a Special Termination Notice to the Borrower pursuant to Section 6.01(b), any Unapplied Provider Advance shall be converted to and treated as a Special Termination Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon and the obligation for repayment thereof under the Intercreditor Agreement. The Borrower and the Liquidity Provider agree that the repayment in full of each Interest Advance, Special Termination Advance and Final Advance on the date such

Advance is made is intended to be a contemporaneous exchange for new value given to the Borrower by the Liquidity Provider. For the avoidance of doubt, interest payable on an Interest Advance, Special Termination Advance or the Final Advance shall not be regarded as overdue unless such interest is not paid when due under Section 3.07.

Section 2.06 Repayments of Provider Advances. (a) Amounts advanced hereunder in respect of a Provider Advance shall be deposited in the Class AA Cash Collateral Account and invested and withdrawn from the Class AA Cash Collateral Account as set forth in Sections 3.05(c), 3.05(d), 3.05(e) and 3.05(f) of the Intercreditor Agreement. Subject to Sections 2.07 and 2.09, the Borrower agrees to pay to the Liquidity Provider, on each Regular Distribution Date, commencing on the first Regular Distribution Date after the making of a Provider Advance, interest on the principal amount of any such Provider Advance, in the amounts determined as provided in Section 3.07; provided, however, that amounts in respect of a Provider Advance withdrawn from the Class AA Cash Collateral Account for the purpose of paying interest on the Class AA Certificates in accordance with Section 3.05(f) of the Intercreditor Agreement (the amount of any such withdrawal being (y), in the case of a Downgrade Advance, an “**Applied Downgrade Advance**” and (z) in the case of a Non-Extension Advance, an “**Applied Non-Extension Advance**” and together with an Applied Downgrade Advance, an “**Applied Provider Advance**”) shall thereafter (subject to Section 2.06(b)) be treated as an Interest Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon and the dates on which interest is payable; provided, further, however, that if, following the making of a Provider Advance, the Liquidity Provider delivers a Termination Notice to the Borrower pursuant to Section 6.01(a), such Provider Advance shall thereafter be treated as a Final Advance under this Agreement for purposes of determining the Applicable Liquidity Rate for interest payable thereon. Subject to Sections 2.07 and 2.09, immediately upon the withdrawal of any amounts from the Class AA Cash Collateral Account on account of a reduction in the Required Amount, the Borrower shall repay to the Liquidity Provider a portion of the Provider Advances in a principal amount equal to such reduction, plus interest on the principal amount so repaid as provided in Section 3.07.

(b) At any time when an Applied Provider Advance or Applied Special Termination Advance (or any portion thereof) is outstanding, upon the deposit in the Class AA Cash Collateral Account of any amount pursuant to clause “fourth” of Section 3.02 of the Intercreditor Agreement (any such amount being a “**Replenishment Amount**”) for the purpose of replenishing or increasing the balance thereof up to the Required Amount at such time, (i) the aggregate outstanding principal amount of all Applied Provider Advances and Applied Special Termination Advances (and of Provider Advances and Special Termination Advances treated as Interest Advances for purposes of determining the Applicable Liquidity Rate for interest payable thereon) shall be automatically reduced by the amount of such Replenishment Amount (if multiple Applied Provider Advances are outstanding any such repayment to be applied in the order in which such Applied Provider Advances have been made, starting with the earliest), and (ii) the aggregate outstanding principal amount of all Unapplied Provider Advances or of the Unapplied Special Termination Advances shall be automatically increased by the amount of such Replenishment Amount.

(c) Upon the provision of a Replacement Liquidity Facility in replacement of this Agreement in accordance with Section 3.05(e) of the Intercreditor Agreement, as provided in Section 3.05(f) of the Intercreditor Agreement, amounts remaining on deposit in the Class AA Cash Collateral Account after giving effect to any Applied Provider Advance or Applied Special Termination Advance on the date of such replacement shall be reimbursed to the replaced Liquidity Provider, but only to the extent such amounts are necessary to repay in full to the replaced Liquidity Provider all amounts owing to it hereunder.

(d) If, at any time after making a Downgrade Advance, the Liquidity Provider satisfies the Threshold Rating and delivers written notice to that effect to the Borrower and FedEx, as of the second Business Day following receipt of such notice, (i) this Liquidity Facility shall cease to be a Downgraded Facility, (ii) any Unapplied Downgrade Advance shall be withdrawn from the Class AA Cash Collateral Account and reimbursed to the Liquidity Provider, (iii) any Applied Downgrade Advance shall be converted to an Interest Advance, (iv) the Maximum Available Commitment shall be reinstated by an amount equal to the amount of such Unapplied Downgrade Advance so reimbursed, but not to exceed the Maximum Commitment, and the obligation of the Liquidity Provider to make Advances shall be reinstated in an equal amount, (v) the Borrower shall be entitled to request Borrowings and (vi) the proviso in the definition of Maximum Available Commitment and clause (y) of the proviso in the final sentence of Section 2.02(a) shall, in each case, no longer apply to such Downgrade Advance.

Section 2.07 Payments to the Liquidity Provider Under the Intercreditor Agreement. In order to provide for payment or repayment to the Liquidity Provider of any amounts hereunder, the Intercreditor Agreement provides that amounts available and referred to in Articles II and III of the Intercreditor Agreement, to the extent payable to the Liquidity Provider pursuant to the terms of the Intercreditor Agreement (including, without limitation, Section 3.05(f) of the Intercreditor Agreement), shall be paid to the Liquidity Provider in accordance with the terms thereof (but, for the avoidance of doubt, without duplication of or increase in any amounts payable hereunder). Amounts so paid to the Liquidity Provider shall be applied by the Liquidity Provider in the order of priority required by the applicable provisions of Articles II and III of the Intercreditor Agreement and shall discharge in full the corresponding obligations of the Borrower hereunder.

Section 2.08 Book Entries. The Liquidity Provider shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower resulting from Advances made from time to time and the amounts of principal and interest payable hereunder and paid from time to time in respect thereof; provided, however, that the failure by the Liquidity Provider to maintain such account or accounts shall not affect the obligations of the Borrower in respect of Advances.

Section 2.09 Payments from Available Funds Only. All payments to be made by the Borrower under this Agreement shall be made only from the amounts that constitute Scheduled Payments, Special Payments and other payments under the Operative Agreements, including

payment under Section 4.02 of the Participation Agreements and payments under Section 2.14 of the Indentures, and only to the extent that the Borrower shall have sufficient income or proceeds therefrom to enable the Borrower to make payments in accordance with the terms hereof after giving effect to the priority of payments provisions set forth in the Intercreditor Agreement. The Liquidity Provider agrees that it will look solely to such amounts to the extent available for distribution to it as provided in the Intercreditor Agreement and this Agreement and that the Borrower, in its individual capacity, is not personally liable to it for any amounts payable or liability under this Agreement except as expressly provided in this Agreement, the Intercreditor Agreement or any Participation Agreement. Amounts on deposit in the Class AA Cash Collateral Account shall be available to the Borrower to make payments under this Agreement only to the extent and for the purposes expressly contemplated in Section 3.05(f) of the Intercreditor Agreement.

Section 2.10 Extension of the Expiry Date; Non-Extension Advance. If the Liquidity Provider notifies the Borrower and FedEx in writing before the 60th day prior to any anniversary date of the Closing Date that occurs prior to the 15th day after the Final Legal Distribution Date for the Class AA Certificates (such notice, a “**Non-Extension Notice**”) that its obligations to make Advances hereunder shall not be extended beyond the immediately following anniversary date of the Closing Date (and if the Liquidity Provider shall not have been replaced in accordance with Section 3.05(e) of the Intercreditor Agreement), the Borrower shall be entitled on and after the 25th day prior to such anniversary date (but prior to such anniversary date and in any event prior to the then applicable Expiry Date) to request a Non-Extension Advance in accordance with Section 2.02(b)(i) hereof and Section 3.05(d) of the Intercreditor Agreement.

ARTICLE III

OBLIGATIONS OF THE BORROWER

Section 3.01 Increased Costs. Without duplication of any rights created by Section 3.03, if as a result of any Regulatory Change there shall be any increase by an amount reasonably deemed by the Liquidity Provider to be material in the actual cost to the Liquidity Provider of making, funding or maintaining any Advances or its obligation to make any such Advances or there shall be any reduction by an amount reasonably deemed by the Liquidity Provider to be material in the amount receivable by the Liquidity Provider under this Agreement or the Intercreditor Agreement in respect thereof, and in case of either such an increase or reduction, such event does not arise from the gross negligence or willful misconduct of the Liquidity Provider, from its breach of any of its representations, warranties, covenants or agreements contained herein or in the Intercreditor Agreement or from its failure to comply with any such Regulatory Change (any such increase or reduction being referred to herein as an “**Increased Cost**”), then, subject to Sections 2.07 and 2.09, the Borrower shall from time to time pay to the Liquidity Provider an amount equal to such Increased Cost within 10 Business Days after delivery to the Borrower and FedEx of a certificate of an officer of the Liquidity Provider describing in reasonable detail the event by reason of which it claims such Increased Cost and the basis for the determination of the amount of such Increased Cost; provided that the Borrower shall be obligated to pay amounts only with respect to any Increased Costs accruing from the

date 120 days prior to the date of delivery of such certificate. Such certificate, in the absence of manifest error, shall be considered prima facie evidence of the amount of the Increased Costs for purposes of this Agreement; provided that any determinations and allocations by the Liquidity Provider of the effect of any Regulatory Change on the costs of maintaining the Advances or the obligation to make Advances are made on a reasonable basis. For the avoidance of doubt, the Liquidity Provider shall not be entitled to assert any claim under this Section 3.01 in respect of or attributable to Excluded Taxes. The Liquidity Provider will notify the Borrower and FedEx as promptly as practicable upon its knowledge of any event occurring after the date of this Agreement that will entitle the Liquidity Provider to compensation under this Section 3.01. The Liquidity Provider agrees to investigate all commercially reasonable alternatives for reducing any Increased Costs and to use all commercially reasonable efforts to avoid or minimize, to the greatest extent possible, any claim in respect of Increased Costs, including, without limitation, by designating a different Lending Office, if such designation or other action would avoid the need for, or reduce the amount of, any such claim; provided that the foregoing shall not obligate the Liquidity Provider to take any action that would, in its reasonable judgment, cause the Liquidity Provider to take any action that is not materially consistent with its internal policies or is otherwise materially disadvantageous to the Liquidity Provider or that would cause the Liquidity Provider to incur any material loss or cost, unless the Borrower or FedEx agrees to reimburse or indemnify the Liquidity Provider therefor in a manner reasonably acceptable to the Liquidity Provider. If no such designation or other action is effected, or, if effected, such notice fails to avoid the need for any claim in respect of Increased Costs, FedEx may arrange for a Replacement Liquidity Facility in accordance with Section 3.05(e) of the Intercreditor Agreement.

Notwithstanding the foregoing provisions, in no event shall the Borrower be required to make payments under this Section 3.01: (a) in respect of any Regulatory Change proposed by any applicable governmental authority (including any branch of a legislature), court, central bank or comparable agency of the United States or the Liquidity Provider's jurisdiction of organization or in which its Lending Office is located and pending as of the date of this Agreement (it being agreed that the Regulatory Changes contemplated by (i) the frameworks published by the Basel Committee on Banking Supervision entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" dated December 2010 (revised June 2011), "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools," dated January 2013, and (ii) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith, shall not be considered to have been proposed or pending as of the date of this Agreement); (b) if a claim hereunder in respect of an Increased Cost arises through circumstances peculiar to the Liquidity Provider and that do not affect similarly organized commercial banking institutions in the same jurisdiction generally that are in compliance with the law, rule, regulation or interpretation giving rise to the Regulatory Change relating to such Increased Cost; (c) if the Liquidity Provider shall fail to comply with its obligations under this Section 3.01 or (d) if the Liquidity Provider is not also seeking payment for similar increased costs in other similarly situated transactions related to the airline industry.

Section 3.02 Reserved.

Section 3.03 Withholding Taxes. (a) All payments made by the Borrower under this Agreement shall be made without deduction or withholding for or on account of any Taxes, unless such deduction or withholding is required by law. If any Taxes are so required to be withheld or deducted from any amounts payable to the Liquidity Provider under this Agreement, then, subject to Sections 2.07 and 2.09, the Borrower shall pay to the relevant authorities the full amount so required to be deducted or withheld and, without duplication of any rights created by Section 3.01, if such Taxes are Covered Taxes, pay to the Liquidity Provider such additional amounts as shall be necessary to ensure that the net amount actually received by the Liquidity Provider (after deduction or withholding of all Covered Taxes) shall be equal to the full amount that would have been received by the Liquidity Provider had no withholding or deduction of Covered Taxes been required. The Liquidity Provider agrees to use reasonable efforts (consistent with applicable legal and regulatory restrictions) to change the jurisdiction of its Lending Office if making such change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of the Liquidity Provider, be otherwise materially disadvantageous to the Liquidity Provider.

If the Liquidity Provider receives a refund of, or realizes a net Tax benefit not otherwise available to it as a result of, any Taxes for which additional amounts were paid by the Borrower pursuant to this Section 3.03, the Liquidity Provider shall pay to the Borrower (for deposit into the Collection Account) the amount of such refund (and any interest thereon received from the taxing authority) or net Tax benefit.

The Liquidity Provider will (i) provide (on its behalf and on behalf of any participant holding a Participation pursuant to Section 7.08) to the Borrower (x) on or prior to the Effective Date two valid completed and executed copies of Internal Revenue Service Form W-9, W-8BEN-E or W-8ECI (whichever is applicable), including thereon a valid U.S. taxpayer identification number (or, with respect to any such participant, such other form or documentation as may be applicable) covering all amounts receivable by it in connection with the transactions contemplated by the Operative Agreements and (y) thereafter from time to time such additional forms or documentation as may be necessary to establish an available exemption from withholding of United States Tax on payments hereunder so that such forms or documentation are effective for all periods during which it is the Liquidity Provider and (ii) provide timely notice to the Borrower if any such form or documentation is or becomes inaccurate. The Liquidity Provider shall deliver to the Borrower such other forms or documents as may be reasonably requested by the Borrower or required by applicable law to establish that payments hereunder are exempt from or entitled to a reduced rate of Covered Taxes.

(b) All payments (including, without limitation, Advances) made by the Liquidity Provider under this Agreement shall be made free and clear of, and without reduction for or on account of, any Taxes. If any Taxes are required to be withheld or deducted from any amounts payable to the Borrower under this Agreement, the Liquidity Provider shall (i) within the time prescribed therefor by applicable law pay to the appropriate governmental or taxing authority the full amount of any such Taxes (and any additional Taxes in respect of the additional amounts payable under clause (ii) hereof) and make such reports or returns in connection therewith at the time or times and in the

manner prescribed by applicable law, and (ii) pay to the Borrower an additional amount which (after deduction of all such Taxes) will be sufficient to yield to the Borrower the full amount which would have been received by it had no such withholding or deduction been made. Within 30 days after the date of each payment hereunder, the Liquidity Provider shall furnish to the Borrower the original or a certified copy of (or other documentary evidence of) the payment of the Taxes applicable to such payment.

On or before the Closing Date, the Borrower shall provide the Liquidity Provider with its fully executed Internal Revenue Service Form W-9, evidencing a complete exemption from U.S. federal withholding Tax and backup withholding, and shall provide an updated Internal Revenue Service Form W-9 upon the Liquidity Provider's reasonable written request. If any exemption from, or reduction in the rate of, any Taxes required to be borne by the Liquidity Provider under this Section 3.03(b) is reasonably available to the Borrower without providing any information regarding the holders or beneficial owners of the Certificates, the Borrower shall deliver the Liquidity Provider such form or forms and such other evidence of the eligibility of the Borrower for such exemption or reductions (but without any requirement to provide any information regarding the holders or beneficial owners of the Certificates) as the Liquidity Provider may reasonably identify to the Borrower as being required as a condition to exemption from, or reduction in the rate of, such Taxes.

(c) If a payment made hereunder to the Liquidity Provider would be subject to U.S. federal withholding Tax imposed by FATCA if the Liquidity Provider were to fail to comply with the applicable reporting requirement of FATCA (including without limitation those contained in Section 1471(b) or 1472(b) of the Code, as applicable), the Liquidity Provider shall deliver to the Borrower at the time or times prescribed by law and at such time or times reasonably requested by the Borrower such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower as may be necessary for the Borrower to comply with the Borrower's obligations under FATCA and to determine whether the Liquidity Provider has complied with the Liquidity Provider's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this paragraph, "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Section 3.04 Payments. Subject to Sections 2.07 and 2.09, the Borrower shall make or cause to be made each payment to the Liquidity Provider under this Agreement so as to cause the same to be received by the Liquidity Provider not later than 1:00 p.m. (New York City time) on the day when due. The Borrower shall make all such payments in Dollars, to the Liquidity Provider in immediately available funds, by wire transfer to the account of BNP Paribas, New York, NY, Swift/Routing No. BNPAUS3N, ABA Number: 026-007-689, Account Name: BNP Paribas, Loan Servicing Clearing Account, Account #: 103-130-00103; or to such other U.S. bank account as the Liquidity Provider may from time to time direct the Subordination Agent.

Section 3.05 Computations. All computations of interest based on the Base Rate shall be made on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on ~~the LIBOR Rate~~ Adjusted Term SOFR shall be made on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable.

Section 3.06 Payment on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and no additional interest shall be due as a result (and if so made, shall be deemed to have been made when due). If any payment in respect of interest on an Advance is so deferred to the next succeeding Business Day, such deferral shall not delay the commencement of the next Interest Period for such Advance (if such Advance is a ~~LIBOR~~ SOFR Advance) or reduce the number of days for which interest will be payable on such Advance on the next Interest Payment Date for such Advance.

Section 3.07 Interest. (a) Subject to Sections 2.07 and 2.09, the Borrower shall pay, or shall cause to be paid, without duplication, interest on (i) the unpaid principal amount of each Advance from and including the date of such Advance (or, in the case of an Applied Provider Advance or Applied Special Termination Advance, from and including the date on which the amount thereof was withdrawn from the Class AA Cash Collateral Account to pay interest on the Class AA Certificates) to but excluding the date such principal amount shall be paid in full (or, in the case of an Applied Provider Advance or Applied Special Termination Advance, the date on which the Class AA Cash Collateral Account is fully replenished in respect of such Advance) and (ii), to the extent permitted by law, any other amount due hereunder (whether fees, commissions, expenses or other amounts or installments of interest on Advances or any such other amount) that is not paid when due (whether at stated maturity, by acceleration or otherwise) from and including the due date thereof to but excluding the date such amount is paid in full, in each such case, at the interest rate per annum for each day that such amount remains overdue and unpaid equal to the Applicable Liquidity Rate for such Advance or such other amount, as the case may be, as in effect for such day, but in no event in any case referred to in clause (i) or (ii) above at a rate per annum greater than the maximum rate permitted by applicable law; provided, however, that, if at any time the otherwise applicable interest rate as set forth in this Section 3.07 shall exceed the maximum rate permitted by applicable law, then to the maximum extent permitted by applicable law any subsequent reduction in such interest rate will not reduce the rate of interest payable pursuant to this Section 3.07 below the maximum rate permitted by applicable law until the total amount of interest accrued equals the absolute amount of interest that would have accrued (without additional interest thereon) if such otherwise applicable interest rate as set forth in this Section 3.07 had at all relevant times been in effect.

(b) Each Advance (other than a Provider Advance or a Special Termination Advance) will be a Base Rate Advance for the period from the date of its Borrowing to (but excluding) the third Business Day following the Liquidity Provider's receipt of the Notice of Borrowing for such Advance. Thereafter, such Advance shall be a ~~LIBOR~~ SOFR Advance, and an Applied Provider Advance and an Applied Special Termination Advance shall be a ~~LIBOR~~ SOFR Advance from the date of its withdrawal

from the Class AA Cash Collateral Account unless the Borrower otherwise elects in writing that such Applied Provider Advance or Applied Special Termination Advance, as applicable, shall be a Base Rate Advance.

(c) Each ~~LIBOR~~SOFR Advance shall bear interest during each Interest Period at a rate per annum equal to the ~~LIBOR Rate~~Adjusted Term SOFR for such Interest Period plus the Applicable Margin for such ~~LIBOR~~SOFR Advance, payable in arrears on the last day of such Interest Period and, in the event of the payment of principal of such ~~LIBOR~~SOFR Advance on a day other than such last day, on the date of such payment (to the extent of interest accrued on the amount of principal repaid).

(d) Each Base Rate Advance shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin for such Base Rate Advance, payable in arrears on each Regular Distribution Date and, in the event of the payment of principal of such Base Rate Advance on a day other than a Regular Distribution Date, on the date of such payment (to the extent of interest accrued on the amount of principal repaid).

(e) Each outstanding Unapplied Non-Extension Advance, Unapplied Downgrade Advance or Unapplied Special Termination Advance (each, an “**Unapplied Advance**”), as the case may be, shall bear interest, payable in arrears on each Regular Distribution Date, in an amount equal to (i) the Investment Earnings on the amounts on deposit in the Class AA Cash Collateral Account on account of such Unapplied Advance during the period beginning on the later of the date of deposit of such Unapplied Advance and the preceding Regular Distribution Date and ending on the last day prior to such Regular Distribution Date, plus (ii) an amount equal to interest at the Applicable Margin on the amount of such Unapplied Advance during such period.

(f) Each amount not paid when due hereunder (whether fees, commissions, expenses or other amounts or installments of interest on Advances but excluding Advances) shall bear interest, to the extent permitted by applicable law, at a rate per annum equal to the Base Rate plus 2.0% per annum until paid.

(g) If at any time, the Liquidity Provider shall have determined (which determination shall be conclusive and binding upon the Borrower, absent manifest error) that, by reason of circumstances affecting the relevant interbank lending market generally (other than a Benchmark ~~Replacement~~Transition Event), the ~~LIBOR Rate~~Benchmark determined or to be determined for the current or next succeeding Interest Period will not adequately and fairly reflect the cost to the Liquidity Provider (as conclusively certified by the Liquidity Provider, absent manifest error) of making or maintaining Advances, the Liquidity Provider shall give facsimile or telephonic notice thereof (a “**Rate Determination Notice**”) to the Borrower and FedEx. If such notice is given, then the outstanding principal amount of the ~~LIBOR~~SOFR Advances shall be converted to Base Rate Advances effective from the date of the Rate Determination Notice; provided that the Applicable Liquidity Rate in respect of such Base Rate Advances shall be increased by one percent (1.00%). The Liquidity Provider shall withdraw a Rate Determination

Notice given hereunder when the Liquidity Provider determines that the circumstances giving rise to such Rate Determination Notice no longer apply to the Liquidity Provider, and the Base Rate Advances shall be converted to ~~LIBOR~~SOFR Advances effective as of the first day of the next succeeding Interest Period after the date of such withdrawal.

(h) Each change in the Base Rate shall become effective immediately. The rates of interest specified in this Section 3.07 with respect to any Advance or other amount shall be referred to as the “*Applicable Liquidity Rate*”.

~~(i) Without prejudice to any other provision of this Agreement, each party hereto acknowledges for the benefit of the other party: (i) the London Interbank Offered Rate (A) may be subject to methodological or other changes which could affect its value and/or (B) may be permanently discontinued; and (ii) the occurrence of either of the aforementioned events and/or a Benchmark Replacement Event may have adverse consequences which may materially impact the economics of the transactions contemplated by the Operative Agreements.~~

(i) In connection with the use or administration of Adjusted Term SOFR, the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party hereto. The Liquidity Provider will promptly notify the Borrower and FedEx of the effectiveness of any Conforming Changes in connection with the use or administration of Adjusted Term SOFR.

Section 3.08 Replacement of Borrower. Subject to Section 5.02, from time to time and subject to the successor Borrower’s meeting the eligibility requirements set forth in Section 6.09 of the Intercreditor Agreement applicable to the Subordination Agent, upon the effective date and time specified in a written and completed Notice of Replacement Subordination Agent in substantially the form of **Annex VIII** (a “*Notice of Replacement Subordination Agent*”) delivered to the Liquidity Provider by the then Borrower, the successor Borrower designated therein shall become the Borrower for all purposes hereunder.

Section 3.09 Funding Loss Indemnification. The Borrower shall pay to the Liquidity Provider, upon the request of the Liquidity Provider, such amount or amounts as shall be sufficient (in the reasonable opinion of the Liquidity Provider) to compensate it for any loss, cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by the Liquidity Provider to fund or maintain any ~~LIBOR~~SOFR Advance (but excluding loss of the Applicable Margin or anticipated profits) incurred as a result of:

- (1) Any repayment of a ~~LIBOR~~SOFR Advance on a date other than the last day of the Interest Period for such Advance; or

(2) Any failure by the Borrower to borrow a ~~LIBOR~~SOFR Advance on the date for borrowing specified in the relevant notice under Section 2.02.

Section 3.10 Illegality. Notwithstanding any other provision in this Agreement, if any change in any law, rule or regulation applicable to or binding on the Liquidity Provider, or any change in the interpretation or administration thereof by any governmental authority, court central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Liquidity Provider (or its Head Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Liquidity Provider (or its Head Office) to maintain or fund its ~~LIBOR~~SOFR Advances, then upon notice to the Borrower and FedEx by the Liquidity Provider, the outstanding principal amount of the ~~LIBOR~~SOFR Advances shall be converted to Base Rate Advances (a) immediately upon demand of the Liquidity Provider, if such change or compliance with such request, in the reasonable judgment of the Liquidity Provider, requires immediate conversion; or (b) at the expiration of the last Interest Period to expire before the effective date of any such change or request. The Liquidity Provider will notify the Borrower and FedEx as promptly as practicable of any event that will or to its knowledge is reasonably likely to lead to the conversion of ~~LIBOR~~SOFR Advances to Base Rate Advances under this Section 3.10; provided that a failure by the Liquidity Provider to notify the Borrower or FedEx of an event that is reasonably likely to lead to such a conversion prior to the time that it is determined that such event will lead to such a conversion shall not prejudice the rights of the Liquidity Provider under this Section 3.10. The Liquidity Provider agrees to investigate all commercially reasonable alternatives for avoiding the need for such conversion, including, without limitation, designating a different Lending Office, if such designation or other action would avoid the need to convert such ~~LIBOR~~SOFR Advances to Base Rate Advances; provided that the foregoing shall not obligate the Liquidity Provider to take any action that would, in its reasonable judgment, cause the Liquidity Provider to incur any material loss or cost, unless the Borrower or FedEx agrees to reimburse or indemnify the Liquidity Provider therefor. If no such designation or other action is effected, or, if effected, fails to avoid the need for conversion of the ~~LIBOR~~SOFR Advances to Base Rate Advances, FedEx may arrange for a Replacement Liquidity Facility in accordance with Section 3.05(e) of the Intercreditor Agreement.

Section 3.11 Benchmark Replacement

(a) Benchmark Replacement. Notwithstanding anything to the contrary herein, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (a) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement and the definition of "Adjusted Term SOFR" shall be deemed modified to delete the addition of the Term SOFR Adjustment to Term SOFR for any calculation and (y) if a Benchmark Replacement is determined in accordance with clause (b) of the definition of "Benchmark

Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Liquidity Provider without any amendment to, or further action or consent of any other party to, this Agreement. If the Benchmark Replacement is Daily Simple SOFR, all interest payments will be payable on a monthly basis.

(b) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(c) Notices; Standards for Decisions and Determinations. The Liquidity Provider will promptly notify the Borrower and FedEx of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement. The Liquidity Provider will notify the Borrower and FedEx of (x) the removal or reinstatement of any tenor of a Benchmark pursuant to Section 3.11(d) hereto and (y) the commencement of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Liquidity Provider pursuant to this Section 3.11, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from any other party to this Agreement, except, in each case, as expressly required pursuant to this Section 3.11.

(d) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR Reference Rate) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Liquidity Provider in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be representative, then the Liquidity Provider may modify the definition of “Interest Period” (or any similar or analogous definition) for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is not or

will not be representative for a Benchmark (including a Benchmark Replacement), then the Liquidity Provider may modify the definition of "Interest Period" (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(e) Benchmark Unavailability Period. Upon the Borrower's and FedEx's receipt of notice of the commencement of a Benchmark Unavailability Period, (i) the Borrower or FedEx may revoke any Notice of Borrowing for a SOFR Advance during any Benchmark Unavailability Period and, failing that, the Borrower and FedEx will be deemed to have converted any request for an Advance in a Notice of Borrowing into a request for a Base Rate Advance and (ii) any outstanding affected SOFR Advances will be deemed to have been converted to Base Rate Advances at the end of the applicable Interest Period.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.01 Conditions Precedent to Effectiveness of Section 2.01. Section 2.01 of this Agreement shall become effective on and as of the first date (the "**Effective Date**") on which the following conditions precedent have been satisfied (or waived by the appropriate party or parties):

(a) The Liquidity Provider shall have received on or before the Closing Date each of the following, and in the case of each document delivered pursuant to paragraphs (i), (ii) and (iii), each in form and substance satisfactory to the Liquidity Provider:

- (i) This Agreement and the Fee Letter duly executed on behalf of the Borrower and, in the case of the Fee Letter, FedEx;
- (ii) The Intercreditor Agreement duly executed on behalf of each of the parties thereto (other than the Liquidity Provider);
- (iii) Fully executed copies of each of the Operative Agreements executed and delivered on or before the Closing Date (other than this Agreement, the Fee Letter and the Intercreditor Agreement);
- (iv) A copy of the Prospectus Supplement and specimen copies of the Class AA Certificates;
- (v) An executed copy of each opinion (other than the negative assurance letters of internal counsel of FedEx and of Davis Polk & Wardwell LLP, special counsel to FedEx, and the opinion and the negative assurance letter of Milbank LLP, special counsel to the Underwriters) delivered on the Closing Date pursuant to the Underwriting Agreement (in the case of each such opinion,

either addressed to the Liquidity Provider or accompanied by a letter from the counsel rendering such opinion to the effect that the Liquidity Provider is entitled to rely on such opinion as of its date as if it were addressed to the Liquidity Provider);

(vi) An executed copy of each document, instrument, certificate and opinion delivered on or before the Closing Date pursuant to the Class AA Trust Agreement, the Intercreditor Agreement and the other Operative Agreements (in the case of each such opinion, either addressed to the Liquidity Provider or accompanied by a letter from the counsel rendering such opinion to the effect that the Liquidity Provider is entitled to rely on such opinion as of its date as if it were addressed to the Liquidity Provider);

(vii) An agreement from FedEx, pursuant to which (x) FedEx agrees to provide copies of either (A) a consolidated balance sheet of FedEx and its consolidated subsidiaries prepared by it as of each of the first three quarterly periods in each fiscal year, together with the related consolidated statements of income for such period or (B) a report of FedEx Corporation on Form 10-Q in respect of such period in the form filed with the Securities and Exchange Commission and either (A) a consolidated balance sheet of FedEx and its consolidated subsidiaries as of the close of each fiscal year, together with the related consolidated statements of income for such fiscal year, certified by independent public accountants, or (B) a report of FedEx Corporation on Form 10-K in respect of such year in the form filed with the Securities and Exchange Commission and (y) FedEx agrees to allow the Liquidity Provider to discuss the transactions contemplated by the Operative Agreements with officers of FedEx; provided that such discussions shall not take place more frequently than once per year unless a Liquidity Event of Default has occurred and is continuing and there is a Performing Note Deficiency; and

(viii) Such other documentation as the Liquidity Provider shall have reasonably requested to satisfy its “know your customer” policies.

(b) On and as of the Effective Date no event shall have occurred and be continuing, or would result from the entering into of this Agreement or the making of any Advance, which constitutes a Liquidity Event of Default.

(c) The Liquidity Provider shall have received payment in full of the fees and other sums required to be paid to or for the account of the Liquidity Provider on or prior to the Effective Date pursuant to the Fee Letter.

(d) All conditions precedent to the issuance of the Certificates under the Trust Agreements shall have been satisfied or waived, all conditions precedent to the effectiveness of the other Liquidity Facilities shall have been satisfied or waived, and all conditions precedent to the purchase of the Class AA Certificates by the Underwriters

under the Underwriting Agreement shall have been satisfied (unless any of such conditions precedent under the Underwriting Agreement shall have been waived by the Underwriters).

(e) The Borrower and FedEx shall have received a certificate, dated the Effective Date signed by a duly authorized representative of the Liquidity Provider, certifying that all conditions precedent specified in this Section 4.01 have been satisfied or waived by the Liquidity Provider.

Section 4.02 Conditions Precedent to Borrowing. The obligation of the Liquidity Provider to make an Advance on the occasion of each Borrowing shall be subject to the conditions precedent that the Effective Date shall have occurred and, prior to the time of such Borrowing, the Borrower shall have delivered a Notice of Borrowing which conforms to the terms and conditions of this Agreement.

Section 4.03 Representations and Warranties. The representations and warranties of the Borrower as Subordination Agent in Sections 5.01(a), (b), (c), and (d) of the Participation Agreements shall be deemed to be incorporated into this Agreement as if set out in full herein and as if such representations and warranties were made by the Borrower to the Liquidity Provider.

ARTICLE V

COVENANTS

Section 5.01 Affirmative Covenants of the Borrower. So long as any Advance shall remain unpaid or the Liquidity Provider shall have any Maximum Available Commitment hereunder or the Borrower shall have any obligation to pay any amount to the Liquidity Provider hereunder, the Borrower will, unless the Liquidity Provider shall otherwise consent in writing:

(a) Performance of Agreements. Subject to Sections 2.07 and 2.09, punctually pay or cause to be paid all amounts payable by it under this Agreement and the Intercreditor Agreement and observe and perform in all material respects the conditions, covenants and requirements applicable to it contained in this Agreement and the Intercreditor Agreement;

(b) Reporting Requirements. Furnish to the Liquidity Provider with reasonable promptness, such other information and data with respect to the transactions contemplated by the Operative Agreements as from time to time may be reasonably requested by the Liquidity Provider; and permit the Liquidity Provider, upon reasonable notice, to inspect the Borrower's books and records with respect to such transactions and to meet with officers and employees of the Borrower to discuss such transactions; and

(c) Certain Operative Agreements. Furnish to the Liquidity Provider, with reasonable promptness, copies of such Operative Agreements entered into after the date hereof as from time to time may be reasonably requested by the Liquidity Provider.

Section 5.02 Negative Covenants of the Borrower. Subject to the first and fourth paragraphs of Section 7.01(a) of the Intercreditor Agreement and Section 7.01(b) of the Intercreditor Agreement, so long as any Advance shall remain unpaid or the Liquidity Provider shall have any Maximum Available Commitment hereunder or the Borrower shall have any obligation to pay any amount to the Liquidity Provider hereunder, the Borrower will not appoint or permit or suffer to be appointed any successor Borrower without the prior written consent of the Liquidity Provider, which consent shall not be unreasonably withheld or delayed.

ARTICLE VI

LIQUIDITY EVENTS OF DEFAULT AND SPECIAL TERMINATION

Section 6.01 Liquidity Events of Default. (a) If any Liquidity Event of Default has occurred and is continuing and there is a Performing Note Deficiency, the Liquidity Provider may, in its discretion, deliver to the Borrower and FedEx a Termination Notice, the effect of which shall be to cause (i) the Termination Date to occur on the fifth Business Day after the date on which such Termination Notice is received by the Borrower and FedEx, (ii) the Borrower to promptly request, and the Liquidity Provider to promptly make, a Final Advance in accordance with Section 2.02(c) hereof and Section 3.05(i) of the Intercreditor Agreement, (iii) all other outstanding Advances to be automatically converted into Final Advances for purposes of determining the Applicable Liquidity Rate for interest payable thereon and (iv) subject to Sections 2.07 and 2.09, all Advances, any accrued interest thereon and any other amounts outstanding hereunder to become immediately due and payable to the Liquidity Provider.

(b) If the aggregate Pool Balance of the Class AA Certificates is greater than the aggregate outstanding principal amount of the Series AA Equipment Notes (other than any Series AA Equipment Notes previously sold by the Borrower or with respect to which the Aircraft related to such Series AA Equipment Notes has been disposed of by the Loan Trustee) at any time during the 18-month period ending on February 20, 2034, the Liquidity Provider may, in its discretion, deliver to the Borrower and FedEx a Special Termination Notice, the effect of which shall be to cause (i) the Termination Date to occur on the fifth Business Day after the date on which such Special Termination Notice is received by the Borrower and FedEx, (ii) the Borrower to promptly request, and the Liquidity Provider to promptly make, a Special Termination Advance in accordance with Section 2.02(d) hereof and Section 3.05(k) of the Intercreditor Agreement, and (iii) subject to Sections 2.07 and 2.09, all Advances (including, without limitation, any Unapplied Provider Advance), to be automatically treated as Special Termination Advances, subject to Section 6.01(a).

ARTICLE VII

MISCELLANEOUS

Section 7.01 No Oral Modifications or Continuing Waivers. No terms or provisions of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Borrower and the Liquidity Provider and any other Person whose consent is required pursuant to this Agreement; provided that no such change or other action shall affect the payment obligations of FedEx or the rights of FedEx without FedEx's prior written consent; and any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given; provided further that in connection with the implementation of a Benchmark Replacement in accordance with Section 3.11, the Liquidity Provider, in consultation with the Borrower and FedEx (the period for such consultation not to exceed thirty (30) days), will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party hereto. The Liquidity Provider will promptly notify the Borrower and FedEx of the effectiveness of any such Conforming Changes.

Section 7.02 Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices, requests, demands, authorizations, directions, consents, waivers or documents required or permitted under the terms and provisions of this Agreement shall be in English and in writing, and given by United States registered or certified mail, by hand, courier service or facsimile, and any such notice shall be effective when delivered (or, if delivered by facsimile, upon completion of transmission and confirmation by the sender (by a telephone call to a representative of the recipient or by machine confirmation) that such transmission was received) addressed as follows:

If to the Borrower, to:

Wilmington Trust Company
1100 North Market Square
Wilmington, DE 19890-1605
Attention: Global Capital Market Services
Ref: FedEx 2020-1AA EETC
Telephone: (302) 636-6197
Telecopy: (302) 636-4141

If to the Liquidity Provider, to:

Middle office
BNP Paribas
525 Washington Blvd # 600
Jersey City NJ 07310
United States

Attention: Luis Montanti
Email: ito.credit.mo@us.bnpparibas.com

Loan Servicing

Loan Servicing Team
BNP Paribas
2001, Robert-Bourassa boulevard, Suite 900
Montreal, OC H3A 2A6
Canada
Attention: Patrizia Rizzo, Team Leader – Loan Servicing
Email: dl.nyk_ls_regional@us.bnpparibas.com

If to FedEx, to:

Federal Express Corporation
3610 Hacks Cross Road
Memphis, TN 38125
Attn: General Counsel

With copies to:

FedEx Corporation
942 S. Shady Grove Road
Memphis, TN 38120
Attn: Treasurer

With a separate FedEx Corporation copy to: Corporate Vice President, Securities & Corporate Law

Any party, by notice to the other party hereto, may designate additional or different addresses for subsequent notices or communications. Whenever the words “notice” or “notify” or similar words are used herein, they mean the provision of formal notice as set forth in this Section 7.02.

Notwithstanding anything to the contrary in this Agreement or any other Operative Agreement to which the Liquidity Provider is a party, the Liquidity Provider shall not be required to provide any notices under this Agreement or such other Operative Agreement to FedEx to the extent the giving of such notice is not permitted under applicable law, including as a result of a pending case under the Bankruptcy Code.

Section 7.03 No Waiver; Remedies. No failure on the part of the Liquidity Provider to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.04 Further Assurances. The Borrower agrees to do such further acts and things and to execute and deliver to the Liquidity Provider such additional assignments, agreements, powers and instruments as the Liquidity Provider may reasonably require or deem advisable to carry into effect the purposes of this Agreement and the other Operative Agreements or to better assure and confirm unto the Liquidity Provider its rights, powers and remedies hereunder and under the other Operative Agreements.

Section 7.05 Indemnification; Survival of Certain Provisions. The Liquidity Provider shall be indemnified hereunder to the extent and in the manner described in Section 4.02 of the Participation Agreements. In addition, the Borrower agrees to indemnify, protect, defend and hold harmless each Liquidity Indemnitee from and against, and shall pay on demand, all Expenses of any kind or nature whatsoever (other than any Expenses of the nature described in Sections 3.01, 3.03, 3.09 or 7.07 or in the Fee Letter (regardless of whether indemnified against pursuant to said Sections or in such Fee Letter)), that may be imposed on or incurred by or asserted against such Liquidity Indemnitee, in any way relating to, resulting from, or arising out of or in connection with, any action, suit or proceeding by any third party against such Liquidity Indemnitee and relating to this Agreement, the Fee Letter, the Intercreditor Agreement or any Participation Agreement; provided, however, that the Borrower shall not be required to indemnify, protect, defend and hold harmless any Liquidity Indemnitee in respect of any Expense of such Liquidity Indemnitee to the extent such Expense is (i) attributable to the gross negligence or willful misconduct of such Liquidity Indemnitee or any other Liquidity Indemnitee, (ii) an ordinary and usual operating overhead expense, (iii) attributable to the failure by such Liquidity Indemnitee or any other Liquidity Indemnitee to perform or observe any agreement, covenant or condition on its part to be performed or observed in this Agreement, the Intercreditor Agreement, the Fee Letter or any other Operative Agreement to which it is a party or (iv) otherwise excluded from the indemnification provisions contained in Section 4.02 of the Participation Agreements. The provisions of Sections 3.01, 3.03, 3.09, 7.05 and 7.07 and the indemnities contained in Section 4.02 of the Participation Agreements shall survive the termination of this Agreement.

Section 7.06 Liability of the Liquidity Provider. (a) Neither the Liquidity Provider nor any of its officers, employees or directors or Affiliates shall be liable or responsible for: (i) the use which may be made of the Advances or any acts or omissions of the Borrower or any beneficiary or transferee in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (iii) the making of Advances by the Liquidity Provider against delivery of a Notice of Borrowing and other documents which do not comply with the terms hereof; provided, however, that the Borrower shall have a claim against the Liquidity Provider, and the Liquidity Provider shall be liable to the Borrower, to the extent of any damages suffered by the Borrower that were the result of (A) the Liquidity Provider's willful misconduct or gross negligence in determining whether documents presented hereunder comply with the terms hereof or (B) any breach by the Liquidity Provider of any of its obligations under this Agreement or the Intercreditor Agreement, including, but not limited to, the Liquidity Provider's failure to make lawful payment hereunder after the delivery to it by the Borrower of a Notice of Borrowing complying with the terms and conditions hereof. In no event, however,

shall the Liquidity Provider be liable on any theory of liability for any special, indirect, consequential or punitive damages (including, without limitation, loss of profits, business or anticipated savings).

(b) Neither the Liquidity Provider nor any of its officers, employees or directors or affiliates shall be liable or responsible in any respect for (i) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with this Agreement or any Notice of Borrowing delivered hereunder or (ii) any action, inaction or omission which may be taken by it in good faith, absent willful misconduct or gross negligence (in which event the extent of the Liquidity Provider's potential liability to the Borrower shall be limited as set forth in the immediately preceding paragraph), in connection with this Agreement or any Notice of Borrowing.

Section 7.07 Certain Costs and Expenses. The Borrower agrees promptly to pay, or cause to be paid, (a) the reasonable fees, expenses and disbursements of Hughes Hubbard & Reed LLP, special counsel for the Liquidity Provider, in connection with the preparation, negotiation, execution, delivery, filing and recording of the Operative Agreements and any other document delivered in connection therewith, any waiver or consent thereunder or any amendment thereof (including any amendment ~~relating to the replacement of the London Interbank Offered Rate as a component of the LIBOR Rate or otherwise~~ in connection with a Benchmark ~~Replacement~~Transition Event or the establishment of a Benchmark Replacement ~~Rate~~), (b) if a Liquidity Event of Default occurs, or otherwise in connection with the enforcement of any Operative Agreement, all out-of-pocket expenses incurred by the Liquidity Provider, including reasonable fees and disbursements of a single legal counsel, in connection with such Liquidity Event of Default or enforcement and any collection, bankruptcy, insolvency and other enforcement proceedings in connection therewith, (c) to the extent not paid by FedEx, any expenses incurred by the Liquidity Provider, including reasonable fees and disbursements of counsel, in connection with the replacement of this Agreement by a Replacement Liquidity Facility pursuant to Section 3.05(d)(i) of the Intercreditor Agreement, and (d) any and all expenses incurred by the Liquidity Provider in connection with any action or proceeding relating to any order, injunction, or other process or decree restraining or seeking to restrain the Liquidity Provider from paying any amount under this Agreement, the Intercreditor Agreement or any other Operative Agreement or otherwise affecting the application of funds in the Class AA Cash Collateral Account. In addition, the Borrower shall pay any and all recording, stamp and other similar Taxes and fees payable or determined to be payable in the United States in connection with the execution, delivery, filing and recording of this Agreement, any other Operative Agreement and such other documents, and agrees to save the Liquidity Provider harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such Taxes or fees.

Section 7.08 Binding Effect; Participations. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower and the Liquidity Provider and their respective successors and permitted assigns, except that neither the Liquidity Provider (except as otherwise provided in this Section 7.08) nor (except as contemplated by Section 3.08) the Borrower shall

have the right to assign, pledge or otherwise transfer its rights or obligations hereunder or any interest herein, subject to the Liquidity Provider's right to grant Participations pursuant to Section 7.08(b).

(b) The Liquidity Provider agrees that it will not grant any participation (including, without limitation, a "risk participation") (any such participation, a "***Participation***") in or to all or a portion of its rights and obligations hereunder or under the other Operative Agreements, unless all of the following conditions are satisfied: (i) such Participation is to a Permitted Transferee, (ii) such Participation is made in accordance with all applicable laws, including, without limitation, the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, any laws or regulations imposing U.S. economic sanctions measures or any orders or licenses issued thereunder and any other applicable laws relating to the transfer of similar interests and (iii) such Participation shall not be made under circumstances that require registration under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended. Notwithstanding any such Participation, the Liquidity Provider agrees that (1) the Liquidity Provider's obligations under the Operative Agreements shall remain unchanged, and such participant shall have no rights or benefits as against FedEx or the Borrower or under any Operative Agreement, (2) the Liquidity Provider shall remain solely responsible to the other parties to the Operative Agreements for the performance of such obligations, (3) the Liquidity Provider shall remain the maker of any Advances, and the other parties to the Operative Agreements shall continue to deal solely and directly with the Liquidity Provider in connection with the Advances and the Liquidity Provider's rights and obligations under the Operative Agreements, (4) the Liquidity Provider shall be solely responsible for any withholding Taxes or any filing or reporting requirements relating to such Participation and shall hold the Borrower and FedEx and their respective successors, permitted assigns, affiliates, agents and servants harmless against the same and (5) neither FedEx nor the Borrower shall be required to pay to the Liquidity Provider any amount under Section 3.01 or Section 3.03 greater than it would have been required to pay had there not been any grant of a Participation by the Liquidity Provider. The Liquidity Provider may, in connection with any Participation or proposed Participation pursuant to this Section 7.08(b), disclose to the participant or proposed participant any information relating to the Operative Agreements or to the parties thereto furnished to the Liquidity Provider thereunder or in connection therewith and permitted to be disclosed by the Liquidity Provider; provided, however, that prior to any such disclosure, the participant or proposed participant shall agree in writing for the express benefit of the Borrower and FedEx to preserve the confidentiality of any confidential information included therein (subject to customary exceptions).

The Borrower acknowledges and agrees that the Liquidity Provider's source of funds may derive in part from its participants. Accordingly, in determining amounts due by the Borrower to the Liquidity Provider pursuant to Section 3.01 and Section 3.03 of this Agreement, references in this Agreement to determinations, reserve, liquidity and capital adequacy requirements, increased costs, reduced receipts, additional amounts due pursuant to Section 3.03

as they pertain to the Liquidity Provider shall be deemed also to include those of each of its participants that are commercial banking institutions and of whose participation the Borrower has been notified, in each case up to the maximum amount that would have been incurred by or attributable to the Liquidity Provider directly had there not been any grant of a Participation by the Liquidity Provider, and references to the Liquidity Provider therein and in related definitions shall be treated as references to such participants where applicable; provided that in any event, neither FedEx nor the Borrower shall be required to pay any amount under Section 3.01 or Section 3.03 greater than it would have been required to pay had there not been any grant of a Participation by the Liquidity Provider.

The Liquidity Provider shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest under this Agreement (the "**Participant Register**"); *provided* that the Liquidity Provider shall not have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans or its other obligations) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and the Liquidity Provider shall treat each Person whose name is recorded in the Participant Register as the owner of such Participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(c) Notwithstanding the other provisions of this Section 7.08, the Liquidity Provider may assign and pledge all or any portion of the Advances owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the ~~Board of Governors of the~~ Federal Reserve ~~System~~Board and any Operating Circular issued by such Federal Reserve Bank; *provided* that any payment in respect of such assigned Advances made by the Borrower to the Liquidity Provider in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Advance to the extent of such payment. No such assignment shall release the Liquidity Provider from its obligations hereunder.

Section 7.09 Severability. To the extent permitted by applicable law, any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.10 Governing Law. THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

Section 7.11 Submission to Jurisdiction; Waiver of Jury Trial; Waiver of Immunity. (a) Each of the parties hereto, to the extent it may do so under applicable law, for purposes hereof hereby (i) irrevocably submits itself to the non-exclusive jurisdiction of the courts of the State of New York sitting in the City of New York and to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York located in the Borough of Manhattan for the purposes of any suit, action or other proceeding arising out of this Agreement, the subject matter hereof or any of the transactions contemplated hereby brought by any party or parties hereto or thereto, or their successors or permitted assigns, (ii) waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof or any of the transactions contemplated hereby may not be enforced in or by such courts, (iii) agrees that service of process in any such suit, action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to each party hereto at its address set forth in Section 7.02 hereof, or at such other address of which each party shall have been notified pursuant thereto and (iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right of the Liquidity Provider to sue in any other jurisdiction.

(b) THE BORROWER AND THE LIQUIDITY PROVIDER EACH HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT AND THE RELATIONSHIP THAT IS BEING ESTABLISHED, including, without limitation, contract claims, tort claims, breach of duty claims and all other common law and statutory claims. The Borrower and the Liquidity Provider each warrant and represent that it has reviewed this waiver with its legal counsel, and that it knowingly and voluntarily waives its jury trial rights following consultation with such legal counsel. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THIS WAIVER IS IRREVOCABLE, AND CANNOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

(c) To the extent that the Liquidity Provider or any of its properties has or may hereafter acquire any right of immunity, whether characterized as sovereign immunity or otherwise, and whether under the United States Foreign Sovereign Immunities Act of 1976 (or any successor legislation) or otherwise, from any legal proceedings, whether in the United States or elsewhere, to enforce or collect upon this Agreement, including, without limitation, immunity from suit or service of process, immunity from jurisdiction or judgment of any court or tribunal or execution of a judgment, or immunity of any of its property from attachment prior to any entry of judgment, or from attachment in aid of execution upon a judgment, the Liquidity Provider hereby irrevocably and expressly waives any such immunity, and agrees not to assert any such right or claim in any such proceeding, whether in the United States or elsewhere.

Section 7.12 Counterparts. This Agreement may be executed in any number of counterparts (and each party shall not be required to execute the same counterpart). Each counterpart of this Agreement including a signature page or pages executed by each of the parties hereto shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument.

Section 7.13 Entirety. This Agreement and the Intercreditor Agreement constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements of such parties.

Section 7.14 Headings. The headings of the various Articles and Sections herein and in the Table of Contents hereto are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 7.15 Liquidity Provider's Obligation to Make Advances. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE OBLIGATIONS OF THE LIQUIDITY PROVIDER TO MAKE ADVANCES HEREUNDER, AND THE BORROWER'S RIGHTS TO DELIVER NOTICES OF BORROWING REQUESTING THE MAKING OF ADVANCES HEREUNDER, SHALL BE ABSOLUTE, UNCONDITIONAL AND IRREVOCABLE, AND SHALL BE PAID OR PERFORMED, IN EACH CASE STRICTLY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT.

Section 7.16 Patriot Act. The Liquidity Provider hereby notifies the Borrower that pursuant to the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA PATRIOT Act") it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Liquidity Provider to identify the Borrower in accordance with such Act.

Section 7.17 Acknowledgment and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in this Agreement or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under this Agreement, to the extent such liability is unsecured, may be subject to Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
- (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement; or
 - (iii) the variation of the terms of such liability in connection with the exercise of Write-Down and Conversion Powers of any applicable Resolution Authority.

Section 7.18 Head Office Obligations. The Liquidity Provider is BNP Paribas, acting through its New York branch. The Liquidity Provider hereby agrees that, notwithstanding the place of booking or its jurisdiction of incorporation or organization, the obligations of the Liquidity Provider hereunder are also the obligations of the head office of BNP Paribas in Paris, France (the “**Head Office**”). Accordingly, any beneficiary of this Agreement will be able to proceed directly against the Head Office (subject to the effect of any applicable bankruptcy, liquidation, winding-up, insolvency, reorganization or similar laws affecting the rights of creditors generally, including all laws relating to administration or insolvency proceedings, to conciliation, nomination of an ad-hoc receiver or similar procedures), if the Liquidity Provider defaults in its obligations to such beneficiary under this Agreement.

Section 7.19 Rates. The Liquidity Provider does not warrant or accept any responsibility for, and shall not have any liability with respect to, (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Term SOFR Reference Rate, Adjusted Term SOFR or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Liquidity Provider and its affiliates or other related entities may engage in transactions that affect the calculation of the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower or FedEx. The Liquidity Provider may select information sources or services in its reasonable discretion to ascertain the Term SOFR Reference Rate, Adjusted Term SOFR, Term SOFR or any other Benchmark, or any component definition thereof or rates referred to in the definition thereof, in each case pursuant to the terms

of this Agreement, and shall have no liability to the Borrower, FedEx or any other Person for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

[Signature page follows]



Memphis-Shelby County Airport Authority
Memphis, Tennessee

**SIXTEENTH AMENDMENT
COMPOSITE LEASE AGREEMENT**

FOR

MEMPHIS INTERNATIONAL AIRPORT

BY AND BETWEEN

**MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY
2491 Winchester Road, Suite 113
Memphis, Tennessee 38116-3586**

AND

**FEDERAL EXPRESS CORPORATION
DATED AS OF:**

June 27, 2023

BUT EFFECTIVE AS OF:

May 1, 2023

**COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION**

LIST OF EXHIBITS

- **Exhibit A** – Composite Agreement Rent Schedule
- **Exhibit B** – Demised Premises (Description, Site Plans)
- **Exhibit C** – Maintenance Rights and Obligations
- **Exhibit D** - Operating Expense Rights and Obligations

COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION

SIXTEENTH AMENDMENT
TO THE COMPOSITE LEASE AGREEMENT

This **SIXTEENTH** Amendment is made and entered into as of June 27, 2023, by and between MEMPHIS-SHELBY COUNTY AIRPORT AUTHORITY (herein referred to as “Authority” or “Sponsor”), a body politic and corporate, organized and existing under the laws of the State of Tennessee, and FEDERAL EXPRESS CORPORATION (herein referred to as “Tenant” or “Contractor”), a corporation duly organized and existing under the laws of the State of Delaware.

W I T N E S S E T H:

WHEREAS, Authority and Tenant executed a “Composite Lease Agreement”, effective January 1, 2007 which was modified by a First Amendment effective September 1, 2008; a Second Amendment effective June 1, 2009; a Third Amendment effective July 1, 2009; a Fourth Amendment effective 15, 2011; a Fifth Amendment effective January 1, 2013; a Sixth Amendment effective July 1, 2014; a Seventh Amendment effective April 1, 2016; an Eighth Amendment effective April 1, 2017; a Ninth Amendment effective September 1, 2017; a Tenth Amendment effective May 1, 2018; an Eleventh Amendment effective December 1, 2018; a Twelfth Amendment effective October 1, 2019; a Thirteenth Amendment effective July 15, 2021; a Fourteenth Amendment effective February 1, 2022; and a Fifteenth Amendment effective May 19, 2022, all of which collectively referred to herein as the “Composite Lease Agreement”; and,

WHEREAS, a schedule identifying each parcel of real property the Authority leases to Tenant is attached to the Composite Lease Agreement as “EXHIBIT A”, and the schedule states a portion of the Term (identified in the Composite Lease Agreement) during which the lease of each parcel will be in effect, and the rent that Tenant is subject to pay Authority for each parcel; and,

WHEREAS, the parties wish to amend the Composite Lease Agreement to add the demised premises identified as the Consolidated Deicing Facility (“CDF”) located at 4490 Louis Carruthers Drive, Memphis, TN 38116, as described and shown in “EXHIBIT B”, which is attached hereto and incorporated by reference, a leased area comprised of more or less 25,071 square feet of

COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION

building space, 49,615 square feet of improved ground, and 13,724 square feet of shared parking, effective on the Date of Beneficial Occupancy (“DBO”), expected on or around May 1, 2023.

NOW, THEREFORE, for and in consideration of the promises, covenants and agreements hereinafter contained to be kept and performed by the parties hereto and upon the provisions and conditions hereinafter set forth, Authority and Tenant do hereby covenant and agree as follows:

SECTION 1. **Definitions.** Except as otherwise provided herein, and unless the context shall clearly require otherwise, all words and terms used in this SIXTEENTH Amendment that are defined in the Composite Lease Agreement, the Special Facility Ground Lease Agreement and the Special Facility Lease Agreement shall have the respective meanings given to them in each agreement for all purposes of this SIXTEENTH Amendment.

SECTION 2. **Modification of Composite Lease and Applicable Rent.**

(a) As of the Effective Date, the parties amend the Composite Lease Agreement to reflect the addition of the CDF as described and shown on “EXHIBIT B”, and substitute the table attached to this SIXTEENTH Amendment for the table to be included as part of “EXHIBIT A”. Authority shall exclusively lease to Tenant, and Tenant shall exclusively lease from Authority an area comprised of more or less 25,071 square feet of building space and 49,615 square feet of improved ground, which is identified on Exhibit B (“Demised Premises”). Tenant shall have access and shall have the right to use to the common areas, such as the stairways and atrium entrance area to the building, and 13,724 square feet of shared parking as identified on Exhibit B (“collectively, the “Common Use Areas”). The Demised Premises and Common Use Areas, including all the land located at 4490 Louis Carruthers Drive, Memphis, TN 38116, shall be collectively defined as the “Entire Premises”. The building located on the Entire Premises is defined for purpose of this Sixteenth Amendment as the “Building”. At any time on or after the Effective Date, Tenant may take possession of the Demised Premises and use and improve them subject to the terms and conditions of the Composite Lease Agreement.

(b) As of the Effective Date, Tenant’s annual rent (“Sixteenth Amendment Annual Rent”) will be increased by \$599,525.04 for the addition of the Demised Premises.

(c) Notwithstanding any provision to the contrary in the Composite Lease Agreement, the Sixteenth Amendment Annual Rent shall not be increased after the final rent adjusted stated in the subsection (b) above.

COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION

SECTION 3. **Alterations and Improvements by Tenant** Except with the prior written approval of the Authority, Tenant will not erect, maintain, or display any signs or any advertising at or on the Demised Premises and/or Entire Premises.

SECTION 4. **Maintenance; Insurance; Operating Expenses.**

(a) Tenant acknowledges that, from time to time, Authority may undertake construction, repair, or other activities related to the operation, maintenance, and repair of the Entire Premises, including the Demised Premises. Authority has the right to enter the Demised Premises at all times without notice in the event of an emergency or for the purpose of making emergency repairs; under all other circumstances, Authority will provide advance notice prior to entry.

(b) With respect to the Entire Premises, the requirements as provided in “Section 4.04” of the Composite Lease Agreement shall remain in full force and effect but for:

- i. Authority shall procure and maintain a policy of property insurance for the structures on the Entire Premises.
- ii. Tenant shall procure and maintain a policy of property insurance for all Tenant installed fixtures and equipment.

(c) The Tenant and Authority’s respective maintenance rights and obligations are identified on Exhibit C attached hereto and incorporate herein by reference.

(d) Expenses for the Common Areas shall be governed by the terms identified on Exhibit D attached hereto and incorporated herein by reference.

SECTION 5. **Remainder of Composite Lease in Effect.** All other terms, provisions, conditions, covenants and agreements of the Composite Lease shall continue in full force and effect.

SECTION 6. **Effective Dates of this SIXTEENTH Amendment.** This SIXTEENTH Amendment shall become effective as of MAY 01, 2023.

The remainder of page is intentionally left blank.

Signature page to follow.

COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this SIXTEENTH Amendment to the Composite Lease Agreement.

**MEMPHIS-SHELBY COUNTY
AIRPORT AUTHORITY**

FEDERAL EXPRESS

By: /s/ Scott A. Brockman

By: /s/ Brandon Tolbert

President and CEO

Title: Vice President Property and Facilities

Approved as to Content:

By: /s/ Sylvester Lavender

Vice President of Finance and Administration/CFO

Approved as to Form and Legality:

By: /s/ Amber Floyd

General Counsel

Reviewed and Approved:

By: /s/ Jason McBride

Director of Properties

Omitted Exhibits

Exhibit A, Exhibit B, Exhibit C, and Exhibit D to this exhibit, which are described under “List of Exhibits,” “Witnesseth,” and in Section 2 and Section 4 above, have been omitted pursuant to Item 601(a)(5) of Regulation S-K because the information contained therein is not material and is not otherwise publicly disclosed. FedEx will furnish supplementally copies of Exhibit A, Exhibit B, Exhibit C, and Exhibit D to the Securities and Exchange Commission or its staff upon request.

**COMPOSITE LEASE AGREEMENT: AMENDMENT #16
FEDERAL EXPRESS CORPORATION**

INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

FED-PA-3157-LA-2302761

Federal Express Corporation
3131 Democrat Road
Memphis, TN 38118

Attention: Mr. Guy See
Managing Director – Aircraft Acquisitions & Sales

Subject: [*]

Reference: (a) Purchase Agreement No. 3157 between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) dated November 7, 2006 relating to Model 777-FREIGHTER aircraft (**777 Purchase Agreement**)

(b) Letter Agreement No. 6-1162-RRO-1062R3; Option Aircraft, between Boeing and Customer dated June 1, 2022, as amended most recently by Supplemental Agreement No. 36 (**Option Aircraft Letter Agreement**)

(c) Letter Agreement No. 6-1169-LKJ-0776; SA-30 Option Aircraft, between Boeing and Customer dated June 18, 2018 (**SA-30 Option Aircraft Letter Agreement**)

This letter agreement (**Letter Agreement**) amends and supplements the 777 Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the referenced 777 Purchase Agreement.

1. Background.

1.1 Pursuant to the terms of the Option Aircraft Letter Agreement and the SA-30 Option Aircraft Letter Agreement, [*].

1.2 [*].

FED-PA-3157-LA-2302761
[*]

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BOEING PROPRIETARY

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



2. Agreement.

2.1 [*] as listed in Table 2.1 below.

Table 2.1

Referenced Letter Agreement	Contracted Delivery Date	[*]	[*]
(b)	[*]	[*]	[*]
(c)	[*]	[*]	[*]
(c)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(c)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]
(b)	[*]	[*]	[*]

2.2 Following Customer's exercise of [*] 777 Option Aircraft the parties agree to use their best efforts to sign a supplemental agreement to the 777 Purchase Agreement to add the [*] Option Aircraft as Aircraft to the 777 Purchase Agreement within thirty (30) calendar days following option exercise.

2.3 This Letter Agreement shall not be effective unless executed and delivered by the parties on or prior to May 31, 2023.

3. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 23, 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. Burkhart

Its Vice President

FED-PA-3157-LA-2302761

[*]

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BOEING PROPRIETARY

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INFORMATION IN THIS EXHIBIT IDENTIFIED BY BRACKETS IS CONFIDENTIAL AND HAS BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE THAT FEDEX TREATS AS PRIVATE OR CONFIDENTIAL.

FED-PA-3712-LA-2303063

Federal Express Corporation
3131 Democrat Road
Memphis, TN 38118

Attention: Mr. Guy See
Managing Director – Aircraft Acquisitions & Sales

Subject: [*]

Reference: (a) Purchase Agreement No. 3712 between The Boeing Company (**Boeing**) and Federal Express Corporation (**Customer**) dated December 14, 2011 relating to Model 767-3S2F Aircraft (**767 Purchase Agreement**)
(b) Letter Agreement No. FED-PA-03712-LA-1106156R6; Option Aircraft, between Boeing and Customer dated June 22, 2021 (**Option Aircraft Letter Agreement**)
(c) Notice No. FED-PA-3712-NM-2300246; 767-3S2F Delivery Month Change Notification, from Boeing to Customer dated January 31, 2023 (**Option Aircraft Notice**)

This letter agreement (**Letter Agreement**) amends and supplements the 767 Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the referenced 767 Purchase Agreement.

1. Background.

1.1 Pursuant to (i) paragraph 6.1 of the Option Aircraft Letter Agreement, and (ii) the Revised Contract Delivery Months provided in the Option Aircraft Notice, [*].

1.2 [*].

FED-PA-3712-LA-2303063
[*]

Page 1

BOEING PROPRIETARY

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2. Agreement.

[*] as listed in Table 2.1 below.

Table 2.1

Contracted Delivery Date	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

3. Confidentiality.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

* Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.



Very truly yours,

THE BOEING COMPANY

By /s/ McKenzie Kuckhahn

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: May 31, 2023

FEDERAL EXPRESS CORPORATION

By /s/ Kevin A. Burkhardt

Its Vice President

FED-PA-3712-LA-2303063

[*]

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BOEING PROPRIETARY

- * Blank spaces contained confidential information that has been excluded pursuant to Item 601(b)(10)(iv) of Regulation S-K because it is both (i) not material and (ii) the type that FedEx treats as private or confidential.

SUBSIDIARIES OF FEDEX CORPORATION

The following is a list of subsidiaries of FedEx Corporation as of May 31, 2023. Pursuant to Item 601(b)(21) of Regulation S-K, we have omitted some subsidiaries that, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of May 31, 2023 under Rule 1-02(w) of Regulation S-X. FedEx Corporation owns, directly or indirectly, 100% of the voting securities of each of the listed subsidiaries.

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION OR ORGANIZATION
A.C.N. 003 100 052 Pty Ltd	Australia
Capital Returns, Inc.	Wisconsin
Controlled Opportunity and Risk Insurance Company	Tennessee
FCJI, Inc.	Ohio
Federal Express Canada Corporation	Nova Scotia
Federal Express (China) Company Limited	China
Federal Express Corporation	Delaware
Federal Express Europe, Inc.	Delaware
Federal Express Holding US 3, LLC	Delaware
Federal Express Holding US 7, LLC	Delaware
Federal Express Holding US 8, LLC	Delaware
Federal Express Holdings (Mexico) y Compania S.N.C. de C.V.	Mexico
Federal Express Holdings S.A., LLC	Delaware
Federal Express (Hong Kong) Limited	Hong Kong
Federal Express International (France) SNC	France
Federal Express International, Inc.	Delaware
Federal Express Japan G.K.	Japan
Federal Express Korea LLC	Korea
Federal Express Leasing Corporation	Delaware
Federal Express Pacific, LLC	Delaware
Federal Express Services (M) Sdn. Bhd.	Malaysia
Federal Express (Singapore) Pte. Ltd.	Singapore
FedEx Acquisition B.V.	The Netherlands
Fedex Brasil Logistica e Transporte Ltda.	Brazil
FedEx Corporate Services, Inc.	Delaware
FedEx Cross Border Technologies, LLC	Delaware
FedEx Custom Critical, Inc.	Ohio
FedEx Dataworks, Inc.	Delaware
FedEx Express Australia Pty. Ltd	Australia
FedEx Express BE BV	Belgium
FedEx Express Belgium Air Hub SRL	Belgium
FedEx Express Chile SpA	Chile
FedEx Express Czech Republic s.r.o.	Czech Republic
FedEx Express Deutschland GmbH	Germany
FedEx Express FR SAS	France
FedEx Express Greece Single Member L.L.C.	Greece
FedEx Express Grundstücksgesellschaft mbH & Co. KG	Germany
FedEx Express Holding Netherlands B.V.	The Netherlands
FedEx Express Holdings DE GmbH	Germany
FedEx Express Holdings Deutschland GmbH	Germany
FedEx Express Holdings Germany GmbH	Germany
FedEx Express Hungary Kft.	Hungary
FedEx Express International B.V.	The Netherlands

FedEx Express Ireland Limited	Ireland
FedEx Express Italy S.r.l.	Italy
FedEx Express Netherlands B.V.	The Netherlands
FedEx Express Netherlands Holding, Inc.	Delaware
FedEx Express New Zealand	New Zealand
FedEx Express Poland Sp. z.o.o.	Poland
FedEx Express South Africa (Pty) Ltd	South Africa
FedEx Express Spain, S.L.U.	Spain
FedEx Express Supply Chain (Hong Kong) Limited	Hong Kong
FedEx Express Sverige AB	Sweden
FedEx Express Swiss Post GmbH	Switzerland
FedEx Express Transportation & Supply Chain Services (India) Pvt. Ltd.	India
FedEx Express Turkey Transportation and Commerce Limited Company	Turkey
FedEx Express UK Holdings Limited	United Kingdom
FedEx Express UK Limited	England and Wales
FedEx Express UK Transportation Limited	United Kingdom
FedEx Freight Canada, Corp.	Nova Scotia
FedEx Freight Corporation	Delaware
FedEx Freight, Inc.	Arkansas
FedEx Ground Package System, Inc.	Delaware
FedEx Ground Package System, Ltd.	Wyoming
FedEx Logistics, Inc.	Delaware
FedEx Luxembourg S.à r.l.	Luxembourg
FedEx Office and Print Services, Inc.	Texas
FedEx Supply Chain Distribution System, Inc.	Pennsylvania
FedEx Supply Chain Holdings, Inc.	Nevada
FedEx Trade Networks Trade Services, LLC	Delaware
FedEx Trade Networks Transport & Brokerage (Canada), Inc.	Canada
FedEx Trade Networks Transport & Brokerage (Hong Kong) Limited	Hong Kong
FedEx Trade Networks Transport & Brokerage, Inc.	New York
FedEx Trade Networks Transport & Brokerage Private Limited	India
FedEx UK Holdings Limited	England and Wales
FedEx UK Limited	England and Wales
GD Insurance Company DAC	Ireland
GENCO Infrastructure Solutions, Inc.	Delaware
GENCO Marketplace, Inc.	Pennsylvania
TNT Danmark ApS	Denmark
TNT Express ICS Limited	United Kingdom
TNT Express Worldwide (China) Limited	China
TNT Express Worldwide Investments Limited	United Kingdom
TNT Express Worldwide (Japan) G.K.	Japan
TNT Express Worldwide (Portugal) Transitarios, Transportes e Servicos Complementares, Unipessoal, Lda	Portugal
TNT Finance B.V.	The Netherlands
TNT (H.K.) Limited	Hong Kong
TNT Holdings B.V.	The Netherlands
TNT Holdings (UK) Limited	United Kingdom
TNT Mercurio Cargas e Encomendas Expressas Ltda.	Brazil
TNT Suomi Oy	Finland
TNT Transport International B.V.	The Netherlands
TNT Transport Limited	United Kingdom
TNT (UAE) LLC	United Arab Emirates

LIST OF SUBSIDIARY GUARANTORS

As of May 31, 2023, each of the following subsidiaries of FedEx Corporation (“FedEx”) has guaranteed each of the senior unsecured debt securities issued by FedEx listed below. FedEx owns, directly or indirectly, 100% of each guarantor subsidiary. The guarantees are (1) unsecured obligations of the respective guarantor subsidiary, (2) rank equally with all of their other unsecured and unsubordinated indebtedness, and (3) are full and unconditional and joint and several.

NAME OF GUARANTOR SUBSIDIARY	JURISDICTION OF INCORPORATION OR ORGANIZATION
Federal Express Corporation	Delaware
FedEx Ground Package System, Inc.	Delaware
FedEx Freight Corporation	Delaware
FedEx Freight, Inc.	Arkansas
FedEx Corporate Services, Inc.	Delaware
FedEx Office and Print Services, Inc.	Texas
Federal Express Europe, Inc.	Delaware
Federal Express Holdings S.A., LLC	Delaware
Federal Express International, Inc.	Delaware

SENIOR UNSECURED DEBT SECURITIES OF FEDEX GUARANTEED BY THE GUARANTOR SUBSIDIARIES ⁽¹⁾

0.450% Note due 2025
 3.250% Note due 2026
 1.625% Note due 2027
 3.400% Note due 2028
 4.200% Note due 2028
 0.450% Note due 2029
 3.100% Note due 2029
 4.250% Note due 2030
 1.300% Note due 2031
 2.400% Note due 2031
 0.950% Note due 2033
 4.900% Note due 2034
 3.900% Note due 2035
 3.250% Note due 2041
 3.875% Note due 2042
 4.100% Note due 2043
 5.100% Note due 2044
 4.100% Note due 2045
 4.750% Note due 2045
 4.550% Note due 2046
 4.400% Note due 2047
 4.050% Note due 2048
 4.950% Note due 2048
 5.250% Note due 2050
 4.500% Note due 2065

⁽¹⁾ References are to calendar years.

SUBSIDIARY ISSUERS OF GUARANTEED SECURITIES

Pass-through trusts formed by Federal Express Corporation (“FedEx Express”), a Delaware corporation and wholly owned subsidiary of FedEx, offer for sale pass-through certificates of FedEx Express. Each pass-through certificate represents an interest in a pass-through trust. The property of the pass-through trust includes equipment notes issued by FedEx Express. FedEx fully and unconditionally guarantees the payment obligations due on the equipment notes underlying the pass-through certificates offered for sale by FedEx Express.

FedEx Express issued Pass-Through Certificates, Series 2020-1AA with a fixed interest rate of 1.875% due February 2034 utilizing pass-through trusts.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-267559) pertaining to the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-234010) pertaining to the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-222198) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan, as amended, and the FedEx Corporation 2019 Omnibus Stock Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-192957) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan,
- (5) Registration Statement (Form S-8 No. 333-171232) pertaining to the FedEx Corporation 2010 Omnibus Stock Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-45037) pertaining to the FDX Corporation Adjustment Program,
- (7) Registration Statement (Form S-8 No. 333-111399) pertaining to the FedEx Corporation Incentive Stock Plan,
- (8) Registration Statement (Form S-8 No. 333-121418) pertaining to the FedEx Corporation Incentive Stock Plan,
- (9) Registration Statement (Form S-8 No. 333-130619) pertaining to the FedEx Corporation Incentive Stock Plan,
- (10) Registration Statement (Form S-8 No. 333-156333) pertaining to the FedEx Corporation Incentive Stock Plan, and
- (11) Registration Statement (Form S-3 No. 333-240157) of FedEx Corporation and Federal Express Corporation;

of our reports dated July 17, 2023, with respect to the consolidated financial statements and financial statement schedule of FedEx Corporation and the effectiveness of internal control over financial reporting of FedEx Corporation included in this Annual Report (Form 10-K) of FedEx Corporation for the year ended May 31, 2023.

/s/ Ernst & Young LLP

Memphis, Tennessee

July 17, 2023

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rajesh Subramaniam, certify that:

1. I have reviewed this annual report on Form 10-K of FedEx Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 17, 2023

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael C. Lenz, certify that:

1. I have reviewed this annual report on Form 10-K of FedEx Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 17, 2023

/s/ Michael C. Lenz

Michael C. Lenz

Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of FedEx Corporation (“FedEx”) on Form 10-K for the period ended May 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rajesh Subramaniam, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: July 17, 2023

/s/ Rajesh Subramaniam

Rajesh Subramaniam

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of FedEx Corporation (“FedEx”) on Form 10-K for the period ended May 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael C. Lenz, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of FedEx.

Date: July 17, 2023

/s/ Michael C. Lenz

Michael C. Lenz

Executive Vice President and
Chief Financial Officer
