

Competitive Pay and Comprehensive Benefits

We offer competitive pay and comprehensive benefits that support the physical, emotional and financial well-being of our team members. We're committed to providing medical coverage that is both affordable and flexible along with health care navigation and support tools. Additionally, we launched a well-being program in 2020 to help team members and their families make lasting changes in four key areas: physical, emotional, financial and work.

Our internal recognition programs give team members and customers the opportunity to show their appreciation for a job well done. In 2019, our team members were recognized by customers, peers and company leaders more than 2.5 million times. Last year, we launched a new Nonstop Thanks program whereby team members award each other points for a job well done or as an expression of gratitude. Those points can be redeemed for items in an online catalog. Every quarter, hundreds of team members are nominated for the Chairman's Award, the highest honor that we bestow upon our team members.

Effects of the COVID-19 Pandemic

The COVID-19 pandemic has resulted in a severe decline in demand for our services. In 2020, we moved quickly to better align our costs with our reduced schedule. In addition to other cost reduction measures discussed below, we suspended all non-essential hiring, paused non-contractual pay rate increases, reduced executive and board of director compensation, implemented voluntary leave and early retirement programs and decreased our management and support staff team, including officers, by approximately 30%. In total, more than 20,000 team members opted for an early retirement or long-term partially paid leave.

Pursuant to the payroll support program (PSP1) established under the Coronavirus Aid, Relief, and Economic Security Act, as amended (the CARES Act), the U.S. Department of the Treasury (Treasury) provided us with an aggregate of \$6.0 billion of financial assistance in 2020. These funds were used to fund eligible salaries, wages and benefits of our team members. Due to the effects of the COVID-19 pandemic, we involuntarily furloughed certain team members starting October 1, 2020.

Pursuant to the payroll support program (PSP2) established under Subtitle A of Title IV of Division N of the Consolidated Appropriations Act, 2021 (PSP Extension Law), Treasury is to provide us financial assistance to be paid in installments expected to total at least \$3.0 billion in the aggregate, of which \$1.5 billion was received on January 15, 2021. Using these funds, we recalled the involuntarily furloughed team members covered by PSP2 and provided them with back pay to December 1, 2020. PSP2 includes restrictions on involuntary furloughs and reductions in employee pay rates and benefits through March 31, 2021.

On February 5, 2021, we informed approximately 13,000 U.S.-based team members of the possibility of a workforce reduction at their work location. We expect that any workforce reductions will take effect on or after April 1, 2021. In connection with this notification, we announced the reopening of the voluntary early out and long-term leave of absence programs for team members of certain represented workgroups. Eligible team members must opt in by February 26, 2021 for the early out program and March 12, 2021 for the voluntary leave program.

Our future success depends in large part on our ability to attract, develop and retain highly qualified management, technical and other personnel. For more discussion, see Part I, Item 1A. Risk Factors - *"The loss of key personnel upon whom we depend to operate our business or the inability to attract and develop additional qualified personnel could adversely affect our business."*

Labor Relations

In 2020, salaries, wages and benefits were our largest expense and represented 45% of our total operating expenses. As of December 31, 2020, we had approximately 102,700 active full-time equivalent employees, approximately 84% of whom were represented by various labor unions responsible for negotiating the collective bargaining agreements (CBAs) governing their compensation and job duties, among other things.