

# Notice of 2022 Annual Meeting

Proxy Statement  
2021 Annual Report



XPO Logistics, Inc. (NYSE: XPO) is a leading provider of freight transportation services, primarily truck brokerage and less-than-truckload (LTL). XPO uses its proprietary technology, including the cutting-edge XPO Connect® automated freight marketplace, to move goods efficiently through supply chains. The company's global network serves 50,000 shippers with approximately 727 locations and 41,000 employees, and is headquartered in Greenwich, Conn., USA. Visit [xpo.com](https://xpo.com) for more information.





## To Our Stockholders

We're a company focused on value creation. Every strategic plan we execute can be summed up in six words: unlock value for all our stakeholders.

For years, we have delivered considerable value as a conglomerate. XPO was the 7th best performing stock on the Fortune 500 over the last decade. In 2021, we saw an opportunity to create billions of dollars of value by separating our business segments through a spin-off — and we accomplished that with GXO Logistics, which had the highest performing stock of all fully divested spin-offs last year.

Last month we announced a strategic plan for two divestitures and a new spin-off — the separation of our tech-enabled brokered services platform in the fourth quarter. Our brokered services are asset-light and nimble, with cutting-edge technology and strong, blue-chip customer relationships.

The divestitures are the sale of our intermodal operation, which we completed in March, and the planned sale or listing of our European business by year-end. Each divestiture simplifies our business model and moves our capital structure closer to investment-grade.

The remaining company will be comprised solely of less-than-truckload (LTL) freight transportation. Our LTL business will be the third largest pure-play provider in North America, with critical scale, extensive transportation assets, approximately 12,000 drivers and company-specific opportunities to improve — all strong levers for revenue and margin expansion.

Once the separation is complete, it will be easier for investors to appreciate each company's long-term growth prospects, and see that each business has a history of very high returns on invested capital. Additionally, each company will:

- Be more fit for purpose, with its own strategic priorities and customer requirements, and more agility to act on market opportunities;
- Benefit from an undiluted focus on strategic priorities, customer requirements and stakeholder interests, with its own management team and culture, and greater flexibility to tailor strategic decision-making;
- Be more targeted in allocating capital — for example, to deepen differentiation by focusing technology resources on enhancing proprietary software developed for its specific end-markets;
- Have its own equity currency to pursue strategic objectives, including acquisitions, as well as to attract top talent and optimize its long-term equity compensation programs, with close correlation to performance and the interests of stockholders;
- Have a robust balance sheet with a low net-debt-leverage ratio and strong financial characteristics on day one of the spin-off to pursue an investment-grade credit rating;
- Attract an investor base that understands the full potential of the value proposition of the simplified business model; and
- Be more likely to have the right multiple assigned to each stock by the investment community, potentially resulting in a significant increase in equity value that would help each company execute its strategy.

We've seen the benefits of this type of transformation before with our successful spin-off of GXO. Eight months after we created GXO, the company has a market cap of \$7 billion.

### ***Spin-off of our high-performing, tech-enabled brokerage platform***

With the new spin-off, we believe that our best-in-class truck brokerage business will finally get the investor recognition it deserves. It's a gem of a business, with industry-leading revenue and margin growth. In 2021, over 80% of operating income generated by the planned spin-off came from the truck brokerage service.

Our truck brokerage business has achieved phenomenal results for years. Its North American revenue CAGR from 2013 to 2021 was 27% — three times the industry's CAGR of 9%. In 2021, we grew truck brokerage revenue by 63% and loads by 29% year-over-year, including 35% load growth from the top 20 customers. And, we grew truck brokerage margin<sup>1</sup> dollars by 49%, significantly outperforming the average growth of our peers.

The spin-off will continue to be run by the same brokerage leaders, the same pricing experts and the same data scientists who have worked together for many years at XPO. They bring a lot of expertise to the business, and our long-standing outperformance in truck brokerage is, to a large degree, their achievement.

Importantly, the new company will also inherit XPO's first-mover technology advantage. Our XPO Connect<sup>®</sup> digital brokerage platform manages more truckload volume at less cost by giving shippers access to over a million carrier trucks and automated procurement capabilities. The other brokered service lines of last mile logistics, managed transportation and global forwarding all utilize XPO Connect<sup>®</sup> and complement truck brokerage.

As more and more North American shippers use brokers to arrange freight movements, digital adoption is on the rise. Broker penetration of for-hire truckload transportation has more than doubled in the last 15 years, and is still less than 25%. Over 70% of our truck brokerage orders at XPO are currently created or covered digitally with XPO Connect® — at some point, that number will be nearly 100%. These trends represent massive, long-term potential for brokerage growth.

### **Realize the full potential of our LTL business as a pure-play**

I've never been more excited about the long-term growth prospects of this business, particularly as a pure-play. That says a lot about a network that we've brought lightyears forward since we bought it in 2015.

Six years ago, our goal was to expand the 6.6% adjusted operating margin<sup>1</sup> we inherited with the LTL acquisition. We delivered on that in dramatic fashion, improving the adjusted operating margin by 910 basis points through 2021, with more to go. We also generated over \$3 billion of net cash<sup>1</sup> during the same period. And, we expect to report at least \$1 billion of LTL adjusted EBITDA this year, nearly tripling the amount of adjusted EBITDA<sup>1</sup> generated by the business in 2015. That was LTL 1.0 — and now we're adding a new focus on revenue growth in LTL 2.0.

Demand for LTL services in North America should continue to outpace supply for the foreseeable future, giving LTL carriers the benefit of a firm pricing environment. Our base of about 25,000 accounts includes consumer customers, but we're more levered to the industrial sector relative to other LTL carriers. This has impacted our growth over the past few years, particularly with the manufacturing shortages of labor, raw materials, chips and other parts. When production volumes scale up again, we'll be at the forefront of that demand.

This sets up a large opportunity to capitalize on our national network for years to come. We plan to grow our asset base beyond the approximately 7,900 tractors and 25,800 trailers in our fleet, and expand our capacity of drivers and doors. And, as we grow the top line and spread our fixed costs, our technology will reap additional efficiencies for the bottom line through pricing management, linehaul optimization, workforce productivity and pickup-and-delivery routing.

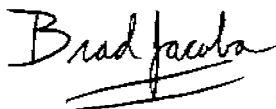
Our LTL business has solid traction from the five-point action plan we began implementing in October 2021. The main components are to continuously improve network efficiencies to best serve our customers; continue to deploy our proprietary pricing technology; increase the annual graduate count in our national truck driver training network; increase production at our company's trailer manufacturing facility in Arkansas; and add 900 net new doors to our network by the end of next year.

### **Looking forward**

2022 marks the start of our second decade in business and our planned transformation of XPO. As we prepare for the spin-off, we'll remain intensely focused on running the company profitably for our stakeholders and delighting our customers. I'm deeply grateful to our 41,000 employees for embracing these goals. The success of any business venture is determined by the quality of its people, and we're very fortunate in that regard.

I also want to personally thank our long-term stockholders for recognizing the value of the company we've built and the companies we plan to create. Our main job from day one has been to deliver outsized value for you. We've done that, but you can count on us to never rest on our laurels.

April 18, 2022



Brad Jacobs  
Chairman and Chief Executive Officer  
XPO Logistics, Inc.

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<sup>1</sup> See Annex A to the company's Proxy Statement for reconciliations of non-GAAP financial measures.

### **Forward-Looking Statements**

See the Forward-Looking Statements disclaimer in Annex A to the company's Proxy Statement.

# XPO Logistics

XPO LOGISTICS, INC.  
Five American Lane  
Greenwich, Connecticut 06831

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 18, 2022

### To the Stockholders of XPO Logistics, Inc.:

Notice is hereby given that the 2022 Annual Meeting of Stockholders (the "Annual Meeting") of XPO Logistics, Inc. ("XPO" or the "company") will be held on Wednesday, May 18, 2022 at 10:00 a.m. Eastern Time. The meeting will be conducted exclusively as a live webcast. You can access the meeting at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV) with your control number.

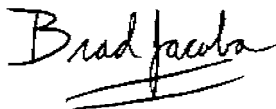
The Annual Meeting shall be held for the following purposes summarized below, and more fully described in the Proxy Statement accompanying this notice:

- To elect eight (8) members of our Board of Directors for a term to expire at the 2023 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2022;
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder;
- To conduct an advisory vote to approve the executive compensation of our named executive officers ("NEOs"), as disclosed in the Proxy Statement;
- To consider and vote on a stockholder proposal regarding additional disclosure of the company's political activities, if properly presented at the Annual Meeting;
- To consider and vote on a stockholder proposal regarding stockholder approval of senior managers' severance or termination packages, if properly presented at the Annual Meeting;
- To consider and vote on a stockholder proposal regarding an audit analyzing the company's policies and practices on the civil rights of its stakeholders, if properly presented at the Annual Meeting; and
- To consider and transact other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only stockholders of record of our common stock, par value \$0.001 per share, as of the close of business on April 14, 2022 are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting. A complete list of registered stockholders will be available under the "Documents" tab on the top right corner of your screen during the meeting after entering the control number included on the Notice of Internet Availability of Proxy Materials or any proxy card that you received, or on the materials provided by your bank or broker.

**Your vote is important. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. We ask that you vote your shares as soon as possible.**

By order of the Board of Directors,



Brad Jacobs  
*Chairman and Chief Executive Officer*

Greenwich, Connecticut  
April 18, 2022

### Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 18, 2022:

The Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2021 are available at [www.edocumentview.com/XPO](https://www.edocumentview.com/XPO)

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# PROXY STATEMENT SUMMARY

This Proxy Statement sets forth information relating to the solicitation of proxies by the Board of Directors (the “Board of Directors” or “Board”) of XPO Logistics, Inc. (“XPO” or the “company”) in connection with our 2022 Annual Meeting of Stockholders (the “Annual Meeting”). This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

## 2022 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement and form of proxy are first being mailed on or about April 18, 2022, to our stockholders of record as of the close of business on April 14, 2022 (the “Record Date”).

Date and Time	Place	Record Date
 Wednesday, May 18, 2022 at 10:00 a.m. Eastern Time	 Virtual Meeting Site: <a href="https://meetnow.global/MRDXLKV">meetnow.global/MRDXLKV</a>	 You can vote if you were a stockholder of record as of the close of business on April 14, 2022

**Admission:** You will not be able to attend the Annual Meeting in person this year. You can access the Annual Meeting at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV). You will need to provide the control number on your proxy card in order to access the Annual Meeting. If the shares of common stock you hold are in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in “street name”), you must register in advance to participate in the Annual Meeting, vote electronically and submit questions during the live webcast of the meeting. To register in advance, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares, giving you the right to vote the shares. Requests for registration should be directed to our transfer agent, Computershare Trust Company, N.A. (“Computershare”), by email at [legalproxy@computershare.com](mailto:legalproxy@computershare.com) no later than 5:00 p.m. Eastern Time, on Thursday, May 12, 2022. You will receive a confirmation of your registration, with a control number, by email from Computershare. At the time of the meeting, go to [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV) and enter your control number.

## VOTING MATTERS AND BOARD RECOMMENDATIONS

The Board is not aware of any matter that will be presented for a vote at the Annual Meeting other than those shown below.

	Board Vote Recommendation	Page Reference (for more detail)
<b>PROPOSAL 1: Election of Directors</b> To elect eight (8) members of our Board of Directors for a term to expire at the 2023 Annual Meeting of Stockholders or until their successors are duly elected and qualified.	✓ <b>FOR</b> each Director Nominee	13-26, 66
<b>PROPOSAL 2: Ratification of the Appointment of our Independent Public Accounting Firm</b> To ratify the appointment of KPMG LLP as the company’s independent registered public accounting firm for fiscal year 2022.	✓ <b>FOR</b>	64-65, 67
<b>PROPOSAL 3: Approval of an Amendment to the Company’s Incentive Compensation Plan</b> To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder.	✓ <b>FOR</b>	68-75
<b>PROPOSAL 4: Advisory Vote to Approve Executive Compensation</b> To conduct an advisory vote to approve the executive compensation of the company’s named executive officers (“NEOs”) as disclosed in this Proxy Statement.	✓ <b>FOR</b>	76
<b>PROPOSAL 5: Stockholder Proposal Regarding Additional Disclosure of the Company’s Political Activities</b> To adopt a requirement that the company provide an annual disclosure of its political activities and related expenditures.	✗ <b>AGAINST</b>	77-78
<b>PROPOSAL 6: Stockholder Proposal Regarding Stockholder Approval of Senior Managers’ Severance or Termination Packages</b> To adopt a requirement that stockholders approve senior managers’ severance or termination packages that exceed a certain value.	✗ <b>AGAINST</b>	79-80
<b>PROPOSAL 7: Stockholder Proposal Regarding an Audit Analyzing the Company’s Policies and Practices on the Civil Rights of its Stakeholders</b> To conduct a third-party audit analyzing the adverse impact of the company’s policies and practices on the civil rights of the company’s stakeholders.	✗ <b>AGAINST</b>	81-83

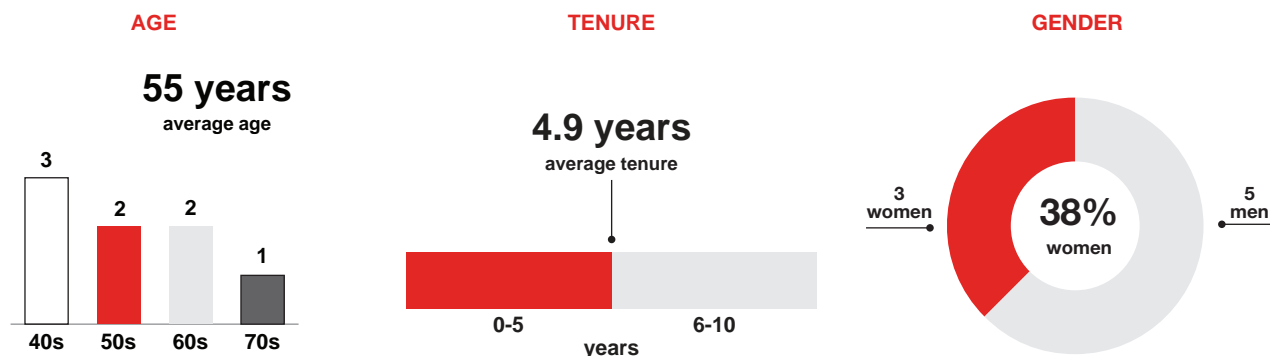
## GOVERNANCE HIGHLIGHTS

<b>Board and Committee Independence</b>	<p>Seven of our eight current directors are independent. The Audit Committee, the Compensation Committee and the Nominating, Corporate Governance and Sustainability Committee each consist entirely of independent directors.</p>
<b>Independent Board Oversight and Leadership Roles</b>	<p>In 2016, our Board added a robust lead independent director position to its leadership structure to complement the roles of our independent committees and independent committee chairmen in providing effective Board oversight. In 2019, our Board added the position of an independent vice chairman to its leadership structure to provide support on key governance matters and stockholder engagement to our chairman, lead independent director and the Board. These independent structures work in conjunction with the dual roles served by our chairman and chief executive officer. The Board believes its leadership structure, as well as the leadership structure of the company, function cohesively and serve the best interests of our stockholders based on the company’s strategy and ownership structure.</p>
<b>Board Refreshment</b>	<p>Our Board is committed to ensuring that its composition includes a range of expertise aligned with the company’s business, as well as fresh perspectives on strategy. One of the ways the Board acts on this commitment is through the thoughtful refreshment of directors when appropriate. In 2015, the Board initiated a process to seek out highly qualified director candidates who would bring relevant experience to the Board in light of our company’s growing scale and diversity. This process has resulted in the addition of five new directors since 2015. On August 2, 2021, as a result of XPO’s spin-off of its logistics business (the “spin-off”), four of our directors who resigned from the XPO Board and became directors of GXO Logistics, Inc. (“GXO”) were replaced with four new directors.</p>
<b>Committee Rotations</b>	<p>As part of its annual review of committee assignments, the Board reconstituted its committees and their chairmen in March 2019, April 2020 and December 2020 to ensure effective functioning and new perspectives. Committees were also reconstituted in August 2021 upon the completion of the spin-off and the appointment of four new directors.</p>
<b>Director Elections</b>	<p>All directors are elected annually for one-year terms or until their successors are elected and qualified.</p>
<b>Majority Voting for Director Elections</b>	<p>Our bylaws provide for a majority voting standard in uncontested elections, and further require that a director who fails to receive a majority vote must tender his or her resignation to the Board.</p>
<b>Board Evaluations</b>	<p>Our Board reviews committee and director performance through an annual process of self-evaluation.</p>
<b>Risk Oversight and Financial Reporting</b>	<p>Our Board seeks to provide robust oversight of current and potential risks facing our company by engaging in regular deliberations and participating in management meetings. Our Audit Committee contributes to strong financial reporting oversight through regular meetings with management and dialogue with our auditors.</p>
<b>Active Participation</b>	<p>Our Board held 11 meetings during 2021. Each person currently serving as a director attended at least 91% of the meetings of the Board and any committee(s) on which he or she served during the time he or she served on the Board or committees.</p>
<b>Direct Oversight of Sustainability</b>	<p>In December 2020, the Board approved amendments to the charter of the Nominating, Corporate Governance and Sustainability Committee to support the Board in its oversight of the company’s purpose-driven sustainability strategies and external disclosures; this includes engaging with management on material environmental, social and corporate governance (“ESG”) matters and stakeholder perspectives.</p>



## 2022 BOARD OF DIRECTORS NOMINEES

Our Board aims to create a diverse and highly skilled team of directors who provide our company with thoughtful board oversight. When selecting new directors, our Board considers, among other things, the nominee's breadth of experience, financial expertise, integrity, ability to make independent analytical inquiries, understanding of our business environment, skills in areas relevant to our growth drivers and willingness to devote adequate time to Board duties — all in the context of the needs of the Board at that point in time, and with the objective of ensuring a diversity of backgrounds, expertise and viewpoints. Our Board also endeavors to include highly qualified women and individuals from historically underrepresented groups in the candidate pool, and has engaged in a purposeful process of regular refreshment. This process has resulted in the addition of five new directors since 2015. In August 2021, as a result of the spin-off, four of our directors who resigned from the company's Board and became directors of GXO were replaced with four new directors. Among our directors, three identified as female, three identified as Caucasian, one identified as Black and four chose not to disclose their demographic information. The composition of our Board at year-end 2021 was:



The following table provides summary information about each director nominee. Each director is elected annually by a majority of the votes cast.

Name	Director Since	Age	Occupation	Independent	Committee Memberships		
					AC	CC	NGGSC
Brad Jacobs	2011	65	Chairman and Chief Executive Officer, XPO Logistics, Inc.				
Jason Aiken*	2021	49	Senior Vice President and Chief Financial Officer, General Dynamics Corporation	Y	C		
AnnaMaria DeSalva	2017	53	Vice Chairman, XPO Logistics, Inc.; Global Chairman and Chief Executive Officer, Hill+Knowlton Strategies	Y	✓		C
Michael Jesselson	2011	70	Lead Independent Director, XPO Logistics, Inc.; President and Chief Executive Officer, Jesselson Capital Corporation	Y	✓		✓
Adrian Kingshott	2011	62	Managing Director, Spotlight Advisors, LLC	Y			✓
Mary Kissel	2021	45	Executive Vice President and Senior Policy Advisor, Stephens Inc.	Y		✓	
Allison Landry	2021	43	Former Senior Transportation Research Analyst, Credit Suisse	Y	✓	✓	
Johnny C. Taylor, Jr.	2021	53	President and Chief Executive Officer, Society of Human Resources Management	Y			C

AC = Audit Committee  
CC = Compensation Committee

NGGSC = Nominating, Corporate Governance and Sustainability Committee

C = Committee Chairman  
✓ = Committee Member  
\* = Audit Committee Financial Expert

## SUMMARY OF QUALIFICATIONS AND EXPERIENCE OF DIRECTOR NOMINEES

	Brad Jacobs	Jason Aiken	AnnaMaria DeSalva	Michael Jesselson	Adrian Kingshott	Mary Kissel	Allison Landry	Johnny C. Taylor, Jr.
<b>BUSINESS OPERATIONS</b> experience provides a practical understanding of developing, implementing and assessing our operating plan and business strategy.	✓	✓	✓	✓	✓	✓	✓	✓
<b>CORPORATE GOVERNANCE</b> experience bolsters Board and management accountability, transparency and a focus on stockholder interests.	✓	✓	✓	✓	✓	✓	✓	✓
<b>CUSTOMER SERVICE</b> experience brings an important perspective to our Board, given the importance of customer retention to our business model.	✓	✓	✓	✓				✓
<b>ENVIRONMENTAL SUSTAINABILITY AND CORPORATE RESPONSIBILITY</b> experience allows our Board's oversight to guide our long-term value creation for stockholders in a way that is sustainable.	✓	✓	✓	✓		✓	✓	✓
<b>EFFECTIVE CAPITAL ALLOCATION</b> experience is crucial to our Board's evaluation of our financial statements and capital structure.	✓	✓	✓	✓	✓		✓	
<b>CRITICAL ANALYSIS OF CORPORATE FINANCIAL STATEMENTS AND CAPITAL STRUCTURES</b> experience assists our directors in overseeing our financial reporting and internal controls.	✓	✓	✓	✓	✓		✓	
<b>HUMAN RESOURCES MANAGEMENT</b> experience allows our Board to further our goals of making XPO an inclusive workplace and aligning human resources objectives with our strategic and operational priorities.	✓	✓	✓	✓		✓		✓
<b>MULTINATIONAL CORPORATE MANAGEMENT</b> experience informs the Board's strategic thinking, given the global nature of our business.	✓	✓	✓	✓	✓	✓		
<b>SALES AND MARKETING</b> experience helps our Board assist with our business strategy and with developing new services and operations.	✓	✓	✓				✓	✓
<b>MERGERS AND ACQUISITIONS, INTEGRATION AND OPTIMIZATION</b> experience helps our company identify the optimal strategic opportunities for profitable growth and realize synergies.	✓	✓	✓	✓	✓	✓		✓
<b>TRANSPORTATION AND LOGISTICS INDUSTRY</b> experience is important in understanding our competitive environment and market positioning.	✓						✓	✓
<b>RISK MANAGEMENT</b> experience is critical to our Board's role in overseeing the risks facing our company, including mitigation measures.	✓	✓	✓	✓	✓	✓		✓
<b>TALENT MANAGEMENT AND ENGAGEMENT</b> experience helps our company attract, motivate and retain top candidates for leadership roles and innovation teams.	✓	✓	✓	✓	✓	✓		✓
<b>TECHNOLOGY AND INFORMATION SYSTEMS</b> experience provides valuable insights as we continually seek to enhance customer outcomes and internal operations.	✓	✓	✓			✓		✓

## 2021 PERFORMANCE HIGHLIGHTS

For the full year 2021, under the skilled leadership of our NEOs, we achieved higher-than-expected revenue, profitability and cash generation, based on the continuing operations of the business:



(1) Net income (loss) attributable to common shareholders from continuing operations

\* See Annex A for reconciliations of non-GAAP measures

## COVID-19 MANAGEMENT

Throughout the COVID-19 pandemic, we have continued to prioritize the physical and mental health of our employees, and have aimed to balance protecting employee well-being with creating a comfortable work environment. We remain diligent in upholding our company's COVID-19 safety protocols, including daily health attestations, a contactless delivery policy for our drivers and customers and access to mental health counseling services for employees and their dependents. We also continue to offer pandemic paid sick leave to provide our U.S. and Canadian employees additional fully-paid sick leave.

## SUSTAINABILITY CULTURE

Our approach to sustainability is one of purpose-driven progress rooted in innovation. We recognize the importance of strong environmental, social and governance ("ESG") practices in delivering value for our stakeholders. Our people-first culture is about being safe, respectful, entrepreneurial, innovative and inclusive. We foster both physical and emotional safety at work, with robust ethical guidelines that clearly define prohibited behavior. We monitor our progress with an ESG Scorecard that encompasses approximately 40 targets in six categories: workforce and talent; employee and community safety; diversity, equity and inclusion; environmental sustainability; information security; and governance. Our annual sustainability report is available at [sustainability.xpo.com](https://www.xpo.com/sustainability).

In 2021, we formed a global Diversity and Inclusion Steering Committee to work with our chief diversity officer on fostering a feeling of belonging for all individuals within our organization. We reinforce the importance of diversity and inclusion through open-door management, our XPO University training curriculum, our Workplace virtual community, and equal opportunity hiring and promotion policies. As we continue to enhance our human capital management disclosures, in 2022, we will publish our most recent EEO-1 report.

Environmental sustainability is another key focus for us. Our entire business model is based on transporting freight as efficiently as possible, which helps our customers and our company meet ESG goals. For example, our truck brokerage technology can improve the carbon footprint of our customers' supply chains by reducing empty truck miles, while the sustainability of our less-than-truckload operations benefits from our investments in a modern fleet, optimized routing and driver training in eco-friendly techniques. Additionally, in December 2020, the Board approved amendments to the charter of the Nominating, Corporate Governance and Sustainability Committee to support the Board in its oversight of, and engagement with, management regarding the company's purpose-driven sustainability strategies, performance and external disclosures, including material ESG matters, and related stakeholder engagement.

In 2022, we conducted our second materiality analysis in partnership with an independent firm, FrameworkESG, to undertake a comprehensive review of the ESG and economic topics most relevant to XPO and our stakeholders. The results of our analysis are shown in our materiality matrix, which reflects issues deemed high priority by our company and our stakeholders. The five highest-rated material issues include: health and safety, employee engagement, climate and greenhouse gas (GHG) emissions, talent management and data security and privacy. A second band of five issues that are important to our company and our stakeholders include: fleet management and innovation, diversity, equity and inclusion, network optimization, corporate governance and ethical conduct. As we evolve our sustainability strategy and disclosure priorities, this materiality analysis will guide our ESG work and priorities.

The best way to guarantee our continued viability as a sustainable company is to perform to the highest standards of business conduct. Through good governance, fair practices and an equitable workplace, we continue to earn the trust of our stockholders, employees and customers. We are proud to have been named to Fortune magazine's World's Most Admired Companies in 2021 for the fourth consecutive year.

## 2021 COMPENSATION HIGHLIGHTS

The Compensation Committee is comprised of three members, Johnny C. Taylor, Jr. (chairman), Mary Kissel and Allison Landry, all of whom joined the Board following the spin-off of our logistics segment, GXO, in August 2021. The post-spin Committee has brought a fresh approach to its role while remaining committed to the company's pay-for-performance philosophy and focused on rewarding our executives for performance that creates substantial, long-term value for our stockholders. Long-term incentive compensation continues to be tied to ambitious goals for key operational indicators that incentivize our executives to drive long-term stockholder value creation. Over time, our financial and operational results have demonstrated the merits of this philosophy for our stockholders, and our granting practices have proven successful in aligning pay outcomes with performance.

In 2021, our NEOs successfully capitalized on strong end-market tailwinds to drive performance, create significant stockholder value through the spin-off of GXO and continue to enhance our organizational culture. The spin-off created billions of dollars of stockholder value, simplified our business model and focused our resources on driving XPO's transportation revenue and margin higher, including in those parts of the business where our performance is already industry-best. Having led XPO through the transition, our NEOs delivered record results in the fourth quarter of 2021 — our first full period as a pure-play transportation company. We reported a significant increase in net income from continuing operations attributable to common shareholders, the highest revenue and highest adjusted diluted EPS of any quarter in our company's history, and adjusted EBITDA that was a fourth quarter record.

In 2021, both the pre- and post-spin-off Committees reviewed the feedback from stockholders with management to fully understand their viewpoints and examined executive pay structures in the context of the company's changing business profile, following the planned (and subsequently executed) spin-off of GXO.

Many of those discussions focused on the form and vesting schedule of the cash long-term incentive awards granted to Mr. Jacobs, Mr. Harik and Mr. Cooper in 2020 (the "2020 LTI Awards"), the company's expectations for addressing the outstanding equity awards upon the spin-off of GXO, the structure of the short-term incentive ("STI") framework and the enhanced disclosures included in our 2021 proxy statement. This engagement includes management discussions with stockholders in the weeks following the annual meeting, including in depth discussions on ESG-related and executive compensation topics.

In light of this careful review and the feedback from our stockholders, the Committee, collectively, took the following actions:

- **Instituted a formulaic STI structure:** In response to stockholder feedback expressing a preference for a formulaic construct, the STI structure for all executive officers has been modified to be entirely formulaic, based on achievement of the company's annual adjusted EBITDA target.
- **Replaced cash LTI Awards with performance-based equity awards:** In response to stockholder feedback expressing a preference for equity-based incentives and to address 2022 strategic priorities, the Committee elected, in 2022, to cancel certain 2020 LTI Award tranches, originally denominated in cash, and replace them with performance-based stock units ("PSUs") with

target grant date values aligned to the same target values of the cancelled portions of the 2020 LTI Award. This includes cancellation of 50% of the target value of the 2022 tranche of the 2020 LTI Award, originally denominated in cash and representing a \$5 million target value, for Mr. Jacobs.

- **Recalibrated all outstanding long-term awards with post-spin-off targets, including changes to strengthen the rigor of absolute financial targets in the 2020 LTI Award:** In response to stockholder requests for greater rigor of performance targets in the 2020 LTI Award, upon the spin-off of GXO the Committee recalibrated all outstanding long-term awards, including the 2018 and 2019 PSUs and 2020 LTI Award, with post-spin-off targets. For the 2020 LTI Award adjustment, the Committee took the opportunity to use the revised 2021 budget for the post-spin-off transportation company to create a new baseline, which projected upward targets for 2021 and, in turn, a higher basis for forecasted growth for the performance periods of 2022 and 2023. The adjustments thereby increased the rigor of the absolute targets underlying this award, while also appropriately reflecting XPO's post-spin-off business profile. For the 2018 and 2019 PSUs, the adjustment methodology was based on the requirement of the 2016 Omnibus Incentive Compensation Plan (the "Omnibus Plan") to make equitable adjustments.
- **Designed CFO LTI Award as an equity-based incentive:** In response to stockholder preference for equity incentives, upon the appointment of Mr. Tulsyan as our chief financial officer, his reward package did not include a cash denomination and instead was comprised entirely of equity, including performance-based stock units which replicated the performance conditions of the 2020 LTI Awards granted to the other named executive officers. Mr. Tulsyan also received an award of time-based restricted stock units.
- **Made no additional LTI awards to CEO:** No incremental grants of long-term incentive compensation were issued to Mr. Jacobs, our chief executive officer.

Further details about executive compensation decisions are described in the "Summary of Key Executive Compensation Decisions in 2021" section of the Compensation Discussion and Analysis.

## 2021 STOCKHOLDER ENGAGEMENT AND RESPONSIVENESS

XPO's Board and management team believe that stockholder engagement is key to strong corporate governance and best practice executive compensation. The feedback received during these conversations helps inform our compensation program, sustainability and human capital management practices and ensures that our approach on these topics continues to align with the long-term interests of our stockholders.

In the spring of 2021, members of senior management and independent directors reached out to stockholders representing approximately 50% of our common stock and engaged with stockholders representing approximately 47% of our common stock. This includes proxy ballot-focused meetings prior to our annual meeting and meetings led by our investor relations team and chief strategy officer following our annual meeting. All meetings touched on business strategy, ESG-related topics and executive compensation. The pre-spin-off Board and Committee discussed the feedback from these sessions to determine how to implement responsive changes to the compensation program. Those steps included the compensation decisions described above in the "2021 Compensation Highlights" section.

In response to the stockholder feedback we received, members of the Compensation Committee from both pre and post-GXO spin-off made several responsive changes to the compensation program for 2022. Among other steps, these changes included moving to an entirely formulaic STI program structure, as well as replacing half of the CEO's 2022 tranche of the cash-based 2020 LTI Award with performance-based stock units, which continue to be tied to rigorous goals. In addition, we have continued to enhance our sustainability practices, such as the inclusion of an ESG scorecard in our 2020 LTI Award, with approximately 40 defined ESG targets and initiatives that span a four-year period through 2023 and expanded diversity, equity and inclusion partnerships in 2021. In 2022, the Committee will continue to place importance on stockholder feedback in forming its executive compensation decisions. We are mindful of the company's strategic plan for the spin-off of its tech-enabled brokered services platform and two divestitures this year, and we remain committed to the long-standing core principles of the Committee's approach to executive compensation and to ongoing engagement to inform our practices throughout this exciting transition.

Further details about our Compensation Committee decisions resulting from stockholder engagement are described in the "Stockholder Outreach and Engagement" section of the Compensation Discussion and Analysis.

# QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

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This Proxy Statement sets forth information relating to the solicitation of proxies by the Board of Directors (our “Board of Directors” or our “Board”) of XPO Logistics, Inc. (“XPO” or our “company”) in connection with our 2022 Annual Meeting of Stockholders (the “Annual Meeting”) or any adjournment or postponement thereof. This Proxy Statement is being furnished by our Board for use at the Annual Meeting to be held on May 18, 2022 at 10:00 a.m. Eastern Time. The meeting will be held exclusively as a live webcast. You can access the meeting at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV). You are required to have a control number to access the Annual Meeting. Please follow the instructions below to receive your control number.

This Proxy Statement and form of proxy are first being mailed on or about April 18, 2022, to our stockholders of record as of the close of business on April 14, 2022 (the “Record Date”).

The following answers address some questions you may have regarding our Annual Meeting. These questions and answers may not include all of the information that may be important to you as a stockholder of our company. Please refer to the more detailed information contained elsewhere in this Proxy Statement.

## ***What items of business will be voted on at the Annual Meeting?***

We expect that the business put forth for a vote at the Annual Meeting will be as follows:

- To elect eight (8) members of our Board of Directors for a term to expire at the 2023 Annual Meeting of Stockholders or until their successors are duly elected and qualified (Proposal 1);
- To ratify the appointment of KPMG LLP (“KPMG”) as our independent registered public accounting firm for fiscal year 2022 (Proposal 2);
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder (Proposal 3);
- To conduct an advisory vote to approve the executive compensation of our named executive officers (“NEOs”) as disclosed in this Proxy Statement (Proposal 4);
- To consider and vote on a stockholder proposal regarding additional disclosure of the company’s political activities, if properly presented at the Annual Meeting (Proposal 5);
- To consider and vote on a stockholder proposal regarding stockholder approval of senior managers’ severance or termination packages, if properly presented at the Annual Meeting (Proposal 6);
- To consider and vote on a stockholder proposal regarding an audit analyzing the company’s policies and practices on the civil rights of its stakeholders, if properly presented at the Annual Meeting (Proposal 7); and
- To consider and transact other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Senior management of XPO and representatives of our outside auditor, KPMG, will be available to respond to appropriate questions.

## ***Who can attend and vote at the Annual Meeting?***

You are entitled to receive notice of, attend and vote at the Annual Meeting, or any adjournment or postponement thereof, if, as of the close of business on April 14, 2022, the Record Date, you were a holder of record of our common stock.

We have designed the virtual Annual Meeting to provide substantially the same opportunities to participate as stockholders would have at an in-person meeting. Our virtual Annual Meeting will be conducted on the internet via live webcast. You can access the Annual Meeting at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV). You will be required to provide the control number on your proxy card to access the Annual Meeting. If the shares of common stock you hold are in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in “street name”), you must register in advance to participate in the Annual Meeting, vote electronically and submit questions during the live webcast of the meeting. To register, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares giving you the right to vote the shares. Requests for registration should be directed to Computershare by email at [legalproxy@computershare.com](mailto:legalproxy@computershare.com) no later than 5:00 p.m. Eastern Time on Thursday, May 12, 2022. You will receive a confirmation of your registration, with a control number, by email from Computershare. At the time of the meeting, go to [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV) and enter your control number.

### **Can I ask questions during the Annual Meeting?**

The virtual Annual Meeting format allows stockholders to communicate with XPO during the Annual Meeting so they can ask questions of XPO's management and Board of Directors, as appropriate. Stockholders (or their proxy holders) may submit questions for the Annual Meeting's question and answer session in advance by logging on to the meeting website at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV). You will need the control number on your proxy card or confirmation email from Computershare in order to submit a question. Click on the "Q&A" icon in the top right corner of the screen and submit your question. You may provide your name, address and organization, and, if applicable, the specific proposal to which your question relates. Questions can be submitted in advance of the Annual Meeting beginning at 9:00 a.m. Eastern Time on May 16, 2022. Questions may also be submitted during the Annual Meeting through the meeting website. We will answer as many questions during the meeting as time will allow and will group questions together where appropriate. We reserve the right to exclude questions regarding topics that are not pertinent to the Annual Meeting matters or company business or are inappropriate.

### **What if I have trouble accessing the Annual Meeting virtually?**

The virtual meeting platform is fully supported across browsers (MS Edge, Firefox, Chrome and Safari) and devices (desktops, laptops, tablets and cell phones) running the most up-to-date version of applicable software and plugins. Note: Internet Explorer is not a supported browser. Participants should ensure that they have a strong internet connection wherever they intend to participate in the Annual Meeting. We encourage you to access the meeting prior to the start time. Should you need further assistance prior to or during the meeting, you may call 1-888-724-2416.

### **How many shares of XPO common stock must be present to conduct business at the Annual Meeting?**

As of the Record Date, there were 115,020,310 shares of common stock issued and outstanding, with each share entitled to one vote on each matter to come before the Annual Meeting. Therefore, 115,020,310 votes are eligible to be cast at the Annual Meeting.

A quorum is necessary to hold a valid meeting of stockholders. Pursuant to the company's bylaws, the presence, in person or by proxy, of the holders of a majority of the shares issued and outstanding and entitled to vote is necessary for each of the proposals to be presented at the Annual Meeting. Accordingly, holders of shares of our common stock representing 57,510,156 votes must be present at the Annual Meeting. If you vote by internet, telephone or proxy card, the shares you vote will be counted toward the quorum for the Annual Meeting. Abstentions and broker non-votes are counted as present for the purpose of determining a quorum.

### **What are my voting choices?**

With respect to the election of directors, you may vote "**FOR**" or "**AGAINST**" each of the director nominees, or you may "**ABSTAIN**" from voting for one or more of such nominees. With respect to the other proposals to be considered at the Annual Meeting, you may vote "**FOR**" or "**AGAINST**" or you may "**ABSTAIN**" from voting on any proposal. If you sign your proxy without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors with respect to the specific proposals described in this Proxy Statement and at the discretion of the proxy holders on any other matters that properly come before the Annual Meeting.

### **What vote is required to approve the proposals being considered at the Annual Meeting?**

- **Proposal 1: Election of eight (8) directors.** The election of each of the eight (8) director nominees named in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) by holders of shares of our common stock at the Annual Meeting at which a quorum is present. If any incumbent director standing for re-election receives a greater number of votes "against" his or her election than votes "for" such election, our bylaws require that such person must promptly tender his or her resignation to our Board of Directors. You may not accumulate your votes for the election of directors.

Brokers may not use discretionary authority to vote shares of our common stock on the election of directors if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted in the election of directors, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the election of director nominees.

- **Proposal 2: Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2022.** Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2022 requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present. Abstentions are not considered votes cast for purposes of tabulation and will have no effect on the proposed ratification of KPMG. We do not expect any broker non-votes, as brokers have discretionary authority to vote on this proposal.

- **Proposal 3: Approval of an amendment to the company's 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder.** The approval of an amendment to the company's 2016 Omnibus Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted for or against the amendment to the company's 2016 Omnibus Incentive Compensation Plan, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this proposal.

- **Proposal 4: Advisory vote to approve executive compensation.** Advisory approval of the resolution on executive compensation of our NEOs as disclosed in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present. This resolution, commonly referred to as a "say-on-pay" resolution, is not binding on our Board of Directors. Although it is non-binding, our Board and the Compensation Committee will consider the voting results when making future decisions regarding our executive compensation program.

Brokers may not use discretionary authority to vote shares of our common stock on the advisory vote to approve executive compensation if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted in the advisory vote to approve executive compensation, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the advisory vote to approve executive compensation.

- **Proposal 5: Stockholder proposal regarding additional disclosure of the company's political activities.** Approval of a requirement that the company issue an annual report disclosing the company's political activities and related expenditures requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

- **Proposal 6: Stockholder proposal regarding stockholder approval of senior managers' severance or termination packages.** Approval of requirement that the company's stockholders approve senior managers' severance or termination packages that exceed a certain value requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

- **Proposal 7: Stockholder proposal regarding an audit analyzing the company's policies and practices on the civil rights of its stakeholders.** Approval of requirement to conduct a third-party audit analyzing the adverse impact of the company's policies and practices on the civil rights of its stakeholders requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

In general, other business properly brought before the Annual Meeting at which a quorum is present requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock.



### ***How does the Board of Directors recommend that I vote?***

Our Board of Directors, after careful consideration, recommends that our stockholders vote **“FOR”** the election of each director nominee named in this Proxy Statement, **“FOR”** the ratification of KPMG as our independent registered public accounting firm for fiscal year 2022, **“FOR”** the approval of an amendment to the company’s incentive compensation plan, **“FOR”** the advisory approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding additional disclosure of the company’s political activities, if such proposal is properly presented at the meeting; **“AGAINST”** the approval of the stockholder proposal regarding stockholder approval of senior managers’ severance or termination packages, if such proposal is properly presented at the meeting; and **“AGAINST”** the approval of the stockholder proposal regarding an audit analyzing the company’s policies and practices on the civil rights of its stakeholders, if such proposal is properly presented at the meeting.

### ***What do I need to do now?***

We urge you to read this Proxy Statement carefully, then vote via internet or by telephone by following the instructions on the proxy card, or mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible, so that your shares of our common stock can be voted at the Annual Meeting.

### ***How do I cast my vote?***

**Registered Stockholders.** If you are a registered stockholder (i.e., you hold your shares in your own name through our transfer agent, Computershare Trust Company, N.A., and not through a broker, bank or other nominee that holds shares for your account in “street name”), you may vote by proxy via internet or by telephone by following the instructions provided on the proxy card, or mail your completed, dated and signed proxy card in the enclosed return envelope. Proxies submitted via internet or by telephone must be received by 1:00 a.m. Eastern Time on May 18, 2022. Please see the proxy card provided to you for instructions on how to submit your proxy via internet or by telephone. Stockholders of record who attend the Annual Meeting may vote directly at the Annual Meeting by following the instructions provided during the Annual Meeting.

**Beneficial Owners.** If you are a beneficial owner of shares (i.e., your shares are held in the name of a brokerage firm, bank or a trustee), you may vote by proxy by following the instructions provided in the voting instruction form or other materials provided to you by the brokerage firm, bank or other nominee that holds your shares. To vote directly at the Annual Meeting, you must obtain a legal proxy from the brokerage firm, bank or other nominee that holds your shares. Follow the instructions provided above to obtain a control number and the voting instructions provided during the Annual Meeting.

### ***What is the deadline to vote?***

If you hold shares as the stockholder of record, your vote by proxy must be received before the polls close at the Annual Meeting. As indicated on the proxy card provided to you, proxies submitted prior to the Annual Meeting via internet or by telephone must be received by 1:00 a.m. Eastern Time on May 18, 2022.

If you are the beneficial owner of shares of our common stock, please follow the voting instructions provided by your broker, trustee or other nominee.

### ***What happens if I do not respond, or if I respond and fail to indicate my voting preference, or if I abstain from voting?***

If you fail to vote via internet or by telephone as indicated on your proxy card, or fail to properly sign, date and return your proxy card, your shares will not be counted towards establishing a quorum for the Annual Meeting, which requires holders representing a majority of the outstanding shares of our common stock to be present in person or by proxy.

Failure to vote, assuming the presence of a quorum, will have no effect on the tabulation of the votes on the proposals. If you are a stockholder of record and you properly sign, date and return your proxy card, but do not indicate your voting preference, we will count your proxy as a vote **“FOR”** the election of the eight nominees for director named in “Proposal 1 — Election of Directors,” **“FOR”** the ratification of KPMG as our independent registered public accounting firm for fiscal year 2022, **“FOR”** the approval of an amendment to the company’s incentive compensation plan, **“FOR”** the advisory approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding additional disclosure of the company’s political activities, if such proposal is properly presented at the meeting; **“AGAINST”** the approval of the stockholder proposal regarding stockholder approval of senior managers’ severance or termination packages, if such proposal is properly presented at the meeting; and **“AGAINST”** the approval of the stockholder proposal regarding an audit analyzing the company’s policies and practices on the civil rights of its stakeholders, if such proposal is properly presented at the meeting.

### ***If my shares are held in “street name” by my broker, dealer, commercial bank, trust company or other nominee, will my broker or other nominee vote my shares for me?***

You should instruct your broker or other nominee on how to vote your shares of our common stock using the instructions they provide to you. Brokers or other nominees who hold shares of our common stock in “street name” for customers are prevented by the rules set forth in the Listed Company Manual (the “NYSE Rules”) of the New York Stock Exchange (the “NYSE”) from exercising voting discretion with respect to non-routine or contested matters (i.e., they must receive specific voting instructions from a stockholder

in order to vote that stockholder's shares on non-routine or contested matters). Shares not voted by a broker or other nominee, because they did not receive specific voting instructions from the stockholder on one or more proposals, are referred to as "broker non-votes."

We expect that when the NYSE determines whether each of the seven proposals to be voted on at our Annual Meeting is a routine or non-routine matter, only "Proposal 2 — Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for Fiscal Year 2022" will be determined to be routine. It is important that you instruct your broker or other nominee on how to vote your shares of our common stock held in "street name" by following the instructions provided to you by your broker or other nominee.

### ***What if I want to change my vote?***

Whether you attend the Annual Meeting or not, you may revoke a proxy at any time before your proxy is voted at the Annual Meeting. You may do so by properly delivering a later-dated proxy either via internet, by telephone, by mail, or by attending the Annual Meeting virtually and voting. Please note, however, that your attendance at the Annual Meeting will not automatically revoke any prior proxy, unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked. You also may revoke your proxy by delivering a notice of revocation to Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831 prior to the vote at the Annual Meeting. If you hold your shares through a broker, dealer, commercial bank, trust company or other nominee, you should follow the instructions of your broker or other nominee regarding revocation of proxies.

### ***How will the persons named as proxies vote?***

If you are a registered stockholder (i.e., if you hold your shares of our common stock in your own name through our transfer agent, Computershare Trust Company, N.A., and not through a broker, bank or other nominee that holds shares for your account in "street name") and you complete and submit a proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not provide voting instructions, or if your instructions are unclear, the persons named as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, by using their own discretion.

### ***Where can I find the results of the voting?***

We intend to announce preliminary voting results at the Annual Meeting and will publish final results on a Current Report on Form 8-K to be filed with the U.S. Securities and Exchange Commission (the "SEC") within four (4) business days after the Annual Meeting. The Current Report on Form 8-K will also be available on our website, [www.xpo.com](http://www.xpo.com).

### ***Who will pay for the cost of soliciting proxies?***

The company will pay for the cost of soliciting proxies. We have engaged Innisfree M&A Incorporated to assist us in soliciting proxies in connection with the Annual Meeting and have agreed to pay them approximately \$15,000 plus their expenses for providing such services. Our directors, officers and other employees, without additional compensation, may solicit proxies personally, in writing, by telephone, by email or otherwise. As is customary, we will reimburse brokerage firms, fiduciaries, voting trustees and other nominees for forwarding our proxy materials to each beneficial owner of shares of our common stock held through them as of the Record Date.

### ***What is "householding" and how does it affect me?***

In cases where multiple company stockholders share the same address, and the shares are held through a bank, broker or other holder of record in a street-name account, only one copy of our proxy materials will be delivered to that address unless a stockholder at that address requests otherwise. This practice, known as "householding," is intended to reduce our printing and postage costs. However, any such street-name stockholders residing at the same address who wish to receive a separate copy of our proxy materials may request a copy by contacting their bank, broker or other holder of record, or by sending a written request to Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831, or by contacting Investor Relations by email at [investors@xpo.com](mailto:investors@xpo.com). The voting instruction form sent to a street-name stockholder should provide information on how to request a separate copy of future materials for each company stockholder at that address, if that is your preference. Similarly, if you currently receive separate copies of our proxy materials but which to participate in householding, please contact us through the method described above.

### ***Can I obtain an electronic copy of the company's proxy materials?***

Yes, this Proxy Statement and our 2021 Annual Report are available on the internet at [www.edocumentview.com/XPO](http://www.edocumentview.com/XPO).

# BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

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## **AN OVERVIEW OF OUR MISSION AND HOW OUR BOARD COMPOSITION IS ALIGNED WITH OUR STRATEGY**

Our company's mission is to be the leading provider of freight transportation services and help our customers move goods efficiently through their supply chains using our proprietary technology. Our global network serves 50,000 shippers with approximately 727 locations and 41,000 employees. We care deeply about keeping our employees and customers happy, and we view safety, sustainability, strong governance and a purpose-driven culture as essential components of value creation.

Our business primarily provides less-than-truckload (LTL) and truck brokerage services. We are a top three provider of LTL services in North America, with one of the industry's largest asset-based, national networks of tractors, trailers, terminals and drivers. We provide our LTL customers with geographic density and day-definite regional, inter-regional and transcontinental LTL freight services. In addition, XPO is one of the largest asset-light brokers of truckload transportation in North America — we use our XPO Connect<sup>®</sup> digital brokerage platform to source independent carriers for shippers who need to move full truckloads of freight, and we manage the process efficiently with our technology. In addition to these two core services, our offering includes complementary asset-light services of last mile logistics, managed transportation and global forwarding in North America, as well as our diversified European transportation business. In addition to our scale, we believe that our substantial exposure to secular industry growth trends, our first-mover advantage as an innovator and our blue-chip customer relationships are compelling competitive advantages.

Our Board of Directors consists of a highly skilled group of leaders who share our values and reflect our culture. Many of our directors have served as executive officers or board members of major companies and have an extensive understanding of the principles of corporate governance. In addition, our directors have a strong owner orientation — as of the Record Date, approximately 11% of the voting power of our capital stock was held by our directors or by entities or persons related to our directors. As described on page 4, our Board as a whole has extensive expertise in the following skill sets, all of which are relevant to our company, business, industry and strategy:

- Business operations;
- Corporate governance;
- Customer service;
- Environmental sustainability and corporate responsibility;
- Effective capital allocation;
- Critical analysis of corporate financial statements and capital structures;
- Human resources management;
- Multinational corporate management;
- Sales and marketing;
- Mergers and acquisitions, integration and optimization;
- The transportation and logistics industry;
- Risk management;
- Talent management and engagement; and
- Technology and information systems.

## DIRECTORS

Our Board of Directors currently consists of eight (8) members as set forth in the table below. The term of each of our directors will expire at the Annual Meeting. Our Board has nominated all of the current directors to stand for election at the Annual Meeting, as set forth in Proposal 1 on page 66 of this Proxy Statement.

Name	Occupation
Brad Jacobs	Chairman and Chief Executive Officer, XPO Logistics, Inc.
Jason Aiken	Senior Vice President and Chief Financial Officer, General Dynamics Corporation
AnnaMaria DeSalva	Vice Chairman, XPO Logistics, Inc.; Global Chairman and Chief Executive Officer, Hill+Knowlton Strategies
Michael Jesselson	Lead Independent Director, XPO Logistics, Inc.; President and Chief Executive Officer, Jesselson Capital Corporation
Adrian Kingshott	Managing Director, Spotlight Advisors, LLC
Mary Kissel	Executive Vice President and Senior Policy Advisor, Stephens Inc.
Allison Landry	Former Senior Transportation Research Analyst, Credit Suisse
Johnny C. Taylor, Jr.	President and Chief Executive Officer, Society of Human Resources Management

Under the terms of an Investment Agreement, dated June 13, 2011 (the "Investment Agreement"), by and among Jacobs Private Equity, LLC ("JPE"), the other investors party thereto (collectively with JPE, the "Investors"), and our company, JPE has the right to designate certain percentages of the nominees for our Board of Directors so long as JPE owns securities representing specified percentages of the total voting power of our capital stock on a fully-diluted basis. JPE does not currently own securities representing the required voting power to qualify for the right to designate nominees for our Board of Directors. The foregoing rights of JPE under the Investment Agreement are in addition to, and not in limitation of, JPE's voting rights as a holder of capital stock of our company. JPE is controlled by Brad Jacobs, our chairman and chief executive officer. The Investment Agreement and the terms contemplated therein were approved by our stockholders at a special meeting on September 1, 2011.

None of the foregoing will prevent our Board of Directors from acting in accordance with its fiduciary duties or applicable law or stock exchange requirements or from acting in good faith in accordance with our governing documents, while giving due consideration to the intent of the Investment Agreement.

Set forth below is information regarding each of our director nominees, including the experience, qualifications, attributes or skills that led our Board to conclude that each such nominee should serve as a director.

### Brad Jacobs

Chairman and Director since 2011

Age: 65



Mr. Jacobs has served as our chief executive officer and chairman of our Board of Directors since September 2, 2011. Mr. Jacobs is also the managing member of JPE, which is one of our largest stockholders. Prior to XPO, Mr. Jacobs led two public companies: United Rentals, Inc. (NYSE: URI), which he founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for that company's first six years, and as its executive chairman for an additional four years. He served eight years as chairman and chief executive officer of United Waste Systems. Mr. Jacobs has served as the non-executive chairman of the board of directors of GXO Logistics, Inc. (NYSE: GXO) since August 2, 2021.

**Board Committees:** None

**Other Public Company Boards:** GXO Logistics, Inc. (NYSE: GXO)

#### **Mr. Jacobs brings to the Board:**

- In-depth knowledge of the company's business resulting from his years of service with the company as its chief executive officer;
- Leadership experience as the company's chairman and chief executive officer, and a successful track record of leading companies that execute strategies similar to ours; and
- Extensive past and current experience as the chairman of boards of directors of several public companies, whereby Mr. Jacobs provided valuable operational insights and strategic and long-term planning capabilities.

**Jason Aiken**

Independent Director since 2021

Age: 49



Mr. Aiken has served as a director of the company since August 2, 2021. He has served as senior vice president and chief financial officer of General Dynamics Corporation since January 2014. Previously he was the senior vice president and chief financial officer of Gulfstream Aerospace Corporation, and held earlier positions with General Dynamics, including controller, vice president of accounting and director of consolidation accounting. Prior to joining General Dynamics, Mr. Aiken was an audit manager with Arthur Andersen LLP in Washington, D.C., where he provided audit and consulting services for defense contractors. He holds a masters in business administration degree from the Kellogg School of Management at Northwestern University, and a bachelor's degree in

business administration and accounting from Washington and Lee University.

**Board Committees:**

- Chairman of the Audit Committee

**Other Public Company Boards:** None**Mr. Aiken brings to the Board:**

- Significant financial and accounting expertise through his service as chief financial officer and other senior finance positions with a Fortune 100 company; and
- Senior operational, transactional and strategic experience.

**AnnaMaria DeSalva**

Independent Director since 2017

Vice Chairman since 2019

Age: 53



Ms. DeSalva has served as a director of the company since September 19, 2017 and vice chairman of the Board since February 7, 2019. She has served as global chairman and chief executive officer of Hill+Knowlton Strategies since June 2019. Prior to that, Ms. DeSalva served as chief communications officer of E.I. du Pont de Nemours & Co. (DuPont) from March 2014 to January 2018; then as senior advisor to the CEO of DowDuPont until February 2019. Previously, she served as vice president of corporate affairs for biopharmaceutical innovation at Pfizer, was an advisor to the U.S. Food and Drug Administration, and led the global healthcare practice of Hill & Knowlton. For Bristol-Myers Squibb, she led global public affairs for the oncology business and served as the director of the Bristol-Myers

Squibb Foundation. Ms. DeSalva serves on the board of governors of Argonne National Laboratory of the U.S. Department of Energy and is a member of its compensation and nominating committees. She is also a trustee of the Committee for Economic Development of The Conference Board. Ms. DeSalva is a graduate of The College of William & Mary in Williamsburg, Virginia, where she serves on the board of the Raymond A. Mason School of Business.

**Board Committees:**

- Chairman of the Nominating, Corporate Governance and Sustainability Committee
- Member of the Audit Committee

**Other Public Company Boards:** None**Ms. DeSalva brings to the Board:**

- Global perspective as the chief executive officer of a multinational organization serving clients across almost every sector of the world economy; and
- Significant experience in corporate affairs, regulatory affairs and corporate social responsibility, having previously served in senior leadership roles at several public companies.

**Michael Jesselson**Independent Director since 2011  
Lead Independent Director since 2016

Age: 70



Mr. Jesselson has served as a director of the company since September 2, 2011 and as lead independent director since March 20, 2016. He has been president and chief executive officer of Jesselson Capital Corporation since 1994, and became a director of Ascendant Digital Acquisition Corp. III (NYSE: ACDI) in November 2021. Mr. Jesselson served as a director of Ascendant Digital Acquisition Corp. I from July 2020 to July 2021, and as a director of American Eagle Outfitters, Inc. (NYSE: AEO) from November 1997 to May 2017, most recently as its lead independent director. Earlier, he worked at Philipp Brothers, a division of Engelhard Industries from 1972 to 1981, then at Salomon Brothers Inc. in the financial trading sector. He is a director of C-III Capital Partners LLC,

Clarity Capital and other private companies, as well as numerous philanthropic organizations. Mr. Jesselson also serves as the chairman of Bar Ilan University in Israel. He attended New York University School of Engineering.

**Board Committees:**

- Member of the Audit Committee
- Member of the Nominating, Corporate Governance and Sustainability Committee

**Other Public Company Boards:** Ascendant Digital Acquisition Corp. III (NYSE: ACDI)**Mr. Jesselson brings to the Board:**

- Significant experience with public company governance through prior service on the board of directors of American Eagle Outfitters, including as its lead independent director; and
- Extensive investment expertise.

**Adrian Kingshott**

Independent Director since 2011

Age: 62



Mr. Kingshott has served as a director of the company since September 2, 2011. He has served as a managing director of Spotlight Advisors, LLC since September 2015. Previously, Mr. Kingshott was the chief executive officer of AdSon, LLC from October 2005 until November 2021, a member of the board of directors of Centre Lane Investment Corp. from May 2011 to March 2021, and a senior advisor to Headwaters Merchant Bank from 2013 until June 2018. Previously, with Goldman Sachs, he was co-head of the firm's Global Leveraged Finance business and held other positions over a 17-year tenure. More recently, Mr. Kingshott was a managing director and portfolio manager at Amaranth Advisors, LLC. He is an adjunct professor of Global Capital Markets and Investments at

Fordham University's Gabelli School of Business. He holds a master's degree in business administration from Harvard Business School and a master of jurisprudence degree from Oxford University.

**Board Committees:**

- Member of the Nominating, Corporate Governance and Sustainability Committee

**Other Public Company Boards:** None**Mr. Kingshott brings to the Board:**

- More than 25 years of experience in the investment banking and investment management industries; and
- Expertise with respect to corporate governance, acquisition transactions, debt and equity financing and corporate financial management issues.

**Mary Kissel**

Independent Director since 2021

**Age:** 45

Mary Kissel has served as a director of the company since August 2, 2021. She has served as executive vice president and senior policy advisor with Stephens Inc. since March 2021. Previously, from October 2018 to January 2021, Ms. Kissel served as senior advisor to the U.S. Secretary of State for policy and messaging, and conducted special assignments for the Secretary. From November 2005 to October 2018, Ms. Kissel was a member of The Wall Street Journal editorial board in New York, where she served as chief foreign policy writer, and as editorial page editor for Asia-Pacific, based in Hong Kong. Ms. Kissel serves as an advisory board member of the Center for Tech Diplomacy at Purdue and the Marathon Initiative in Washington, D.C. She is a life member of

the Council on Foreign Relations and host of the Nixon Seminar on Conservative Realism and National Security. She holds a master's degree from the Paul H. Nitze School of Advanced International Studies and a bachelor's degree in government from Harvard College.

**Board Committees:**

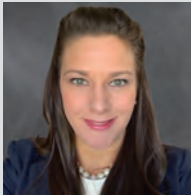
- Member of the Compensation Committee

**Other Public Company Boards:** None**Ms. Kissel brings to the Board:**

- Expertise with respect to political decision-making, economic policy, public policy, and their impact on business; and
- Extensive media, public speaking, government, and foreign affairs experience.

**Allison Landry**

Independent Director since 2021

**Age:** 43

Allison Landry has served as a director of the company since August 2, 2021. From September 2005 to July 2021, she was a senior transportation research analyst with Credit Suisse, covering the trucking, railroad, airfreight and logistics industries. Previously, Ms. Landry served as a financial analyst and senior accountant with OneBeacon Insurance Company (now Intact Insurance Specialty Solutions). She holds a master's degree in business administration from Boston University's Questrom School of Business, and a bachelor's degree in psychology from College of the Holy Cross.

**Board Committees:**

- Member of the Audit Committee
- Member of the Compensation Committee

**Other Public Company Boards:** None**Ms. Landry brings to the Board:**

- More than 15 years experience in the transportation sector, equity markets, research and analysis; and
- Significant experience in investments, financial analysis and valuation.

**Johnny C. Taylor, Jr.**

Independent Director since 2021

**Age:** 53



Mr. Taylor has served as a director of the company since August 2, 2021. He has served as president and chief executive officer of the Society of Human Resources Management (SHRM) since December 2017. Previously, Mr. Taylor served as president and chief executive officer of the Thurgood Marshall College Fund from May 2010 to December 2017. He has served as a member of the board of directors of Guild Education since February 2021 and of iCIMS, Inc. since March 2021. He has served as a trustee of the University of Miami since June 2017, as a corporate member of Jobs for America's Graduates since January 2018, and as a member of the National Board of Governors of the American Red Cross since June 2018. He has served as chairman of the

President's Advisory Board on Historically Black Colleges and Universities and on the White House American Workforce Policy Advisory Board since February 2018. Mr. Taylor holds a juris doctorate degree and a master's degree from Drake University, and a bachelor's degree from the University of Miami.

**Board Committees:**

- Chairman of the Compensation Committee

**Other Public Company Boards:** None

***Mr. Taylor brings to the Board:***

- More than 25 years experience in senior human resources, legal, and business roles across a variety of industries and organizations; and
- Expertise in human capital strategy and management, diversity and inclusion, workplace culture, and leadership training.



## ROLE OF THE BOARD AND BOARD LEADERSHIP STRUCTURE

Our business and affairs are managed under the direction of our Board of Directors, which is our company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's primary responsibility is to seek to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, monitors the performance of our company and management, and provides advice and counsel to management. In fulfilling the Board's responsibilities, our directors have full access to our management, internal and external auditors and outside advisors.

Furthermore, our Board of Directors is committed to independent Board oversight. Our current Board leadership structure includes an executive chairman as well as a lead independent director and an independent vice chairman. The positions of chairman of the Board and chief executive officer are both currently held by Mr. Jacobs. Our Board believes that this combination of roles is appropriate because the structure enables decisive leadership and ensures clear accountability in the context of strong Board practices and a Board culture that facilitates independent oversight. In August, Mr. Jacobs once again followed through on a major initiative to increase stockholder value when XPO completed the spin-off of its contract logistics segment as GXO Logistics, an independent, publicly-traded company. The spin-off and subsequently announced strategic plan, demonstrates Mr. Jacobs' ability to focus on creating value for stockholders and also remain intensely committed to the satisfaction of our customers and employees. Our Board believes the dual roles function well for our company based on our current strategy, governance and ownership structure.

To further strengthen its independent decision-making, our Board has approved a set of Corporate Governance Guidelines (the "Guidelines"), which provide that the independent directors may appoint a lead independent director who presides over executive sessions of the independent directors, and who shall serve a term of at least one year. The position of lead independent director has been structured to serve as an effective balance to the dual roles served by Mr. Jacobs, and to include, among other duties: (i) presiding at all meetings of the Board of Directors at which the chairman is not present; (ii) presiding at all executive sessions of the independent directors, which must take place at least once a year without members of management present; and (iii) calling additional meetings of the independent directors as necessary. In practice, in 2021, our independent directors met in executive sessions much more frequently. The lead independent director also serves as a liaison between the chairman and the independent directors. Together with the chairman, the lead independent director approves Board meeting agendas, meeting schedules and meeting materials to be distributed to our Board in order to ensure sufficient time for informed discussion of issues. The lead independent director is also available to meet with significant stockholders as required. On March 20, 2016, the independent directors appointed Mr. Jesselson to serve as lead independent director.

In addition, on February 7, 2019, the Board established an independent vice chairman position as part of its ongoing commitment to strong corporate governance. The position of vice chairman is defined as an independent director with authorities and duties that include, among others: (i) presiding at meetings of the Board where the chairman and lead independent director are not present; (ii) assisting the chairman, when appropriate, in carrying out his or her duties; (iii) assisting the lead independent director, when appropriate, in carrying out his or her duties; and (iv) such other duties, responsibilities and assistance as the Board or the chairman may determine. Ms. DeSalva was appointed to serve as vice chairman on February 7, 2019, to provide support on key governance matters and stockholder engagement to the chairman, lead independent director and the Board.

Further information regarding the positions of lead independent director and vice chairman is set forth in the Guidelines. The Guidelines are available on the company's website at [www.xpo.com](http://www.xpo.com) under the Investors tab.

Our Board of Directors held 11 meetings during 2021. Each person currently serving as a director attended at least 91% of the meetings of the Board and any committee(s) on which he or she served during the time he or she served on the Board or committees. In addition, during 2021, our Board of Directors acted three times via unanimous written consent.

Our directors are expected to attend our annual meetings. Any director who is unable to attend is expected to notify the chairman of the Board in advance of the meeting date. All of our directors then serving and standing for re-election attended the 2021 Annual Meeting of Stockholders.

## BOARD RISK OVERSIGHT

Our Board of Directors provides overall risk oversight, with a focus on the most significant risks facing our company. In addition, the Board is responsible for ensuring that appropriate crisis management and business continuity plans are in place. The management of risks to our business, and the execution of contingency plans, are primarily the responsibility of our senior management team.

Our Board and senior management team regularly discuss the company's business strategy, operations, policies, controls, prospects, and current and potential risks. These discussions include approaches for assessing, monitoring, mitigating and controlling risk exposure. The Board has delegated responsibility for the oversight of specific risks to special committees as follows:

- **Audit Committee.** The Audit Committee oversees the policies that govern the process by which our exposure to risk is assessed and managed by management. In that role, the Audit Committee discusses major financial risk exposures with our management and discusses the steps that management has taken to monitor and control these exposures. Additionally, the Audit Committee is responsible for reviewing risks arising from related party transactions involving our company, and for overseeing our companywide Code of Business Ethics and overall compliance with legal and regulatory requirements.

- **Compensation Committee.** The Compensation Committee monitors the risks associated with our compensation philosophy and programs. The Committee ensures that the company's compensation structure strikes an appropriate balance in motivating our senior executives to deliver long-term results for the company's stockholders, while simultaneously holding our senior leadership team accountable.
- **Nominating, Corporate Governance and Sustainability Committee.** The Nominating, Corporate Governance and Sustainability Committee oversees risks related to our governance structure and processes, as well as risks associated with the company's corporate sustainability practices and reporting.

## COMMITTEES OF THE BOARD AND COMMITTEE MEMBERSHIP

Each of the Audit Committee, the Compensation Committee and the Nominating, Corporate Governance and Sustainability Committee has a written charter that complies with applicable SEC rules and with the NYSE Rules. These charters are available at [www.xpo.com](http://www.xpo.com). You may obtain a printed copy of any of these charters, without charge, by sending a request to Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

The committees are each comprised entirely of independent directors within all applicable standards, as discussed below. Our Board's general policy is to review and approve committee assignments annually. After consulting with our Board chairman and considering member qualifications, the Nominating, Corporate Governance and Sustainability Committee is responsible for recommending to our Board all committee assignments, including the roles of committee chairmen. Each committee is authorized to retain, in its sole authority, its own outside counsel and other advisors at the company's expense as it desires. Also, each committee may form and delegate authority to subcommittees when appropriate. Our Board may eliminate or create additional committees as it deems appropriate.

The following table sets forth the membership of each of our Board committees as of the Record Date. Mr. Jacobs does not serve on any Board committees.

Name	Audit Committee	Compensation Committee	Nominating, Corporate Governance and Sustainability Committee
Jason Aiken*	C		
AnnaMaria DeSalva	✓		C
Michael Jesselson	✓		✓
Adrian Kingshott			✓
Mary Kissel		✓	
Allison Landry	✓	✓	
Johnny C. Taylor, Jr.		C	

C = Committee chairman

✓ = Committee member

\* = Audit Committee Financial Expert

A summary of the committees' responsibilities is as follows:

**Audit Committee.** Our Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to assist our Board of Directors in fulfilling its responsibilities in a number of areas, including, without limitation, oversight of: (i) our accounting and financial reporting processes, including our systems of internal controls and disclosure controls, (ii) the integrity of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our independent registered public accounting firm, (v) the performance of our independent registered public accounting firm and internal audit function and (vi) related party transactions. Each member of the Audit Committee satisfies all applicable independence standards, has not participated in the preparation of our financial statements at any time during the past three years, and is able to read and understand fundamental financial statements. From January 1, 2021 to August 2, 2021, the Audit Committee was comprised of the following four directors: Mr. Oren Shaffer (chairman), Ms. Gena Ashe, Mr. Jesselson and Dr. Jason Papastavrou. Mr. Shaffer, Ms. Ashe and Dr. Papastavrou resigned from the company's Board on August 2, 2021 to join the GXO board. From August 2, 2021 to December 31, 2021, the Audit Committee was comprised of the following four directors: Mr. Aiken (chairman), Ms. DeSalva, Mr. Jesselson and Ms. Landry. During 2021, the Audit Committee met eight times and acted twice via unanimous written consent. Our Board has determined that Mr. Aiken qualifies as an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act.

**Compensation Committee.** The primary responsibilities of the Compensation Committee are, among other things: (i) to oversee the administration of our compensation programs, (ii) to review and approve the compensation of our executive management, (iii) to review company contributions to qualified and non-qualified plans, (iv) to prepare any report on executive compensation required by SEC rules and regulations, and (v) to retain independent compensation consultants and oversee the work of such consultants. During 2021, the Compensation Committee met nine times and, in addition, acted five times via unanimous written consent to deliberate on a range of matters relating to compensation, including:

- Certification of goal attainment for performance-based stock unit awards (“PSUs”);
- Director and executive compensation benchmarking, compared to market levels of pay;
- Trends in executive pay practices and relevant developments within the regulatory landscape;
- Executive compensation decision frameworks and strategies for cash and long-term incentive compensation;
- Thresholds, targets and/or maximum values related to cash compensation;
- Risk assessment of incentive compensation plans;
- NEO performance evaluations with respect to financial and non-financial goals and expectations;
- Approval of compensation decisions for directors and executive officers;
- Evaluation of share utilization (i.e., burn rate and dilution) in our employee equity plan;
- Compliance with executive stock ownership guidelines;
- Material changes in benefit plans across the company;
- Cash bonus accruals for employees in our company’s annual incentive plan, based on financial performance of each business;
- Review and certification of compensation advisor independence; and
- Inclusion of the compensation, discussion and analysis disclosure in the company’s annual proxy statement and its incorporation by reference into the company’s annual report on Form 10-K.

From January 1, 2021 to August 2, 2021, the Compensation Committee was comprised of the following three directors: Dr. Papastavrou (chairman), Ms. Marlene Colucci and Mr. Jesselson. On August 2, 2021, Dr. Papastavrou and Ms. Colucci resigned from the company’s Board to join the GXO board. From August 2, 2021 to December 31, 2021, the Compensation Committee was comprised of the following three directors: Mr. Taylor (chairman), Ms. Kissel and Ms. Landry.

**Nominating, Corporate Governance and Sustainability Committee.** The primary responsibilities of the Nominating, Corporate Governance and Sustainability Committee are, among other things: (i) to identify individuals qualified to become Board members and recommend that our Board select such individuals to be presented for stockholder consideration at the annual meeting or to be appointed by the Board to fill a vacancy, (ii) to make recommendations to the Board concerning committee appointments, (iii) to develop, recommend to the Board and annually review the Guidelines and oversee corporate governance matters, (iv) to support the Board in its oversight of our company’s purpose-driven sustainability strategies, performance and external disclosures, including ESG matters and related stakeholder engagement, and (v) to oversee an annual evaluation of our Board and its committees. From January 1, 2021 to August 2, 2021, the Nominating, Corporate Governance and Sustainability Committee was comprised of the following three directors: Ms. DeSalva (chairman), Mr. Jesselson and Dr. Papastavrou. Dr. Papastavrou resigned from the company’s Board on August 2, 2021 to join the GXO board and was replaced with Mr. Kingshott. The Nominating, Corporate Governance and Sustainability Committee met three times during 2021.

**Acquisition Committee.** From January 1, 2021 until July 30, 2021, the company’s Acquisition Committee, which was responsible for overseeing risks related to the execution of our acquisition strategy, consisted of Mr. Kingshott (chairman), Ms. Ashe and Ms. Colucci. The Acquisition Committee did not meet during 2021 and was dissolved on July 30, 2021.

## DIRECTOR COMPENSATION

The following table sets forth information concerning the compensation of each person who served as a non-employee director of our company during 2021.

### 2021 Director Compensation Table<sup>(1)</sup>

Name	Fees Earned in Cash <sup>(2)</sup>	Stock Awards <sup>(3)</sup>	Total
Jason Aiken <sup>(4)</sup>	\$ 43,370	\$ 79,123	\$122,493
Gena Ashe <sup>(5)</sup>	46,957	110,877	157,834
Marlene Colucci <sup>(6)</sup>	46,957	110,877	157,834
AnnaMaria DeSalva <sup>(7)</sup>	125,000	190,000	315,000
Michael Jesselson <sup>(8)</sup>	105,000	190,000	295,000
Adrian Kingshott <sup>(9)</sup>	88,804	190,000	278,804
Mary Kissel <sup>(10)</sup>	33,043	79,123	112,166
Allison Landry <sup>(11)</sup>	105,043	79,123	184,166
Jason Papastavrou, Ph.D. <sup>(12)</sup>	58,696	110,877	169,573
Oren Shaffer <sup>(13)</sup>	61,630	110,877	172,507
Johnny C. Taylor, Jr. <sup>(14)</sup>	41,304	79,123	120,427

<sup>(1)</sup> Compensation information for Brad Jacobs, who is a NEO of our company, is disclosed in this Proxy Statement under the heading “Executive Compensation — Compensation Tables.” Mr. Jacobs did not receive additional compensation for his service as a director.

<sup>(2)</sup> The amounts reflected in this column represent the fees earned by the directors for their service during 2021. Because the fees are paid in arrears and fourth quarter payments are received during the following calendar year, fees earned more accurately represent the compensation received by our directors.

<sup>(3)</sup> The amounts reflected in this column represent a full or prorated grant date fair value of the awards made in 2021, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification 718 “Compensation — Stock Compensation” (“ASC 718”). For further discussion of the assumptions used in the calculation of the grant date fair value, please see “Notes to Consolidated Financial Statements — Note 15. Stock-Based Compensation” of our company’s Annual Report on Form 10-K for the year ended December 31, 2021. Each director serving on January 3, 2021 was granted an award of 1,604 restricted stock units (“RSUs”), corresponding to the value of \$190,000, the amount of annual equity compensation paid to our directors. Ms. DeSalva, Mr. Jesselson and Mr. Kingshott served as directors the entire calendar year of 2021 and their full grant vested on January 3, 2022. As a result of the spin-off, Ms. Ashe, Ms. Colucci, Dr. Papastavrou and Mr. Shaffer resigned from the company’s board on August 2, 2021 to join the GXO board. Their amounts represent a prorated value of the RSUs from January 1, 2021 to August 2, 2021 and their grants were transferred to GXO as per the terms of the spin-off transaction. Mr. Aiken, Ms. Kissel, Ms. Landry and Mr. Taylor joined the company’s board on August 2, 2021 and received a prorated award of 920 RSUs worth \$79,123. These awards vested on January 3, 2022. Each director serving on January 3, 2022 received an award of 2,538 RSUs on such date for service as a director in 2022; these awards will vest on January 3, 2023 and are not reflected in the table above.

<sup>(4)</sup> As of December 31, 2021, Mr. Aiken held 920 RSUs. As of the Record Date, Mr. Aiken directly owns a total of 920 shares of our common stock as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

<sup>(5)</sup> As of August 2, 2021, Ms. Ashe held 16,002 RSUs. Ms. Ashe resigned from the company’s board on August 2, 2021 as a result of the spin-off and her RSUs were transferred to GXO as per the terms of the spin-off transaction. The above table does not include €27,000 of fees paid to Ms. Ashe for her service as vice-chairman of the Supervisory Board of XPO Logistics Europe S.A., which was our subsidiary until the spin-off.

<sup>(6)</sup> As of August 2, 2021, Ms. Colucci held 3,996 RSUs. Ms. Colucci resigned from the company’s board on August 2, 2021 as a result of the spin-off and her RSUs were transferred to GXO as per the terms of the spin-off transaction.

<sup>(7)</sup> As of December 31, 2021, Ms. DeSalva held 11,970 RSUs. As of the Record Date, Ms. DeSalva directly owns a total of 2,881 shares of our common stock and 11,970 RSUs that are or will become vested within 60 days of the Record Date as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

<sup>(8)</sup> As of December 31, 2021, Mr. Jesselson held 12,630 RSUs. As of the Record Date, Mr. Jesselson directly and indirectly owns a total of 285,989 shares of our common stock and 9,980 RSUs that are or will become vested within 60 days of the Record Date as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

<sup>(9)</sup> As of December 31, 2021, Mr. Kingshott held 39,723 RSUs. As of the Record Date, Mr. Kingshott directly owns a total of 73,742 shares of our common stock and 39,723 RSUs that are or will become vested within 60 days of the Record Date as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

<sup>(10)</sup> As of December 31, 2021, Ms. Kissel held 920 RSUs. As of the Record Date, Ms. Kissel directly owns a total of 920 shares of our common stock as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

<sup>(11)</sup> As of December 31, 2021, Ms. Landry held 920 RSUs. As of the Record Date, Ms. Landry directly owns a total of 920 shares of our common stock as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.” Ms. Landry was paid an additional \$72,000 (included in the table above) for the special responsibility of overseeing, on behalf of the Board, the company’s investor relations and external communications functions for a six-month period starting on August 2, 2021 and ending on January 31, 2022.

<sup>(12)</sup> As of August 2, 2021, Dr. Papastavrou held 23,295 RSUs. Dr. Papastavrou resigned from the company’s board on August 2, 2021 as a result of the spin-off and his RSUs were transferred to GXO as per the terms of the spin-off transaction.

<sup>(13)</sup> As of August 2, 2021, Mr. Shaffer held 29,044 RSUs. Mr. Shaffer resigned from the company’s board on August 2, 2021 as a result of the spin-off and his RSUs were transferred to GXO as per the terms of the spin-off transaction.

<sup>(14)</sup> As of December 31, 2021, Mr. Taylor held 920 RSUs. As of the Record Date, Mr. Taylor directly owns a total of 920 shares of our common stock as disclosed in this Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

The compensation of our directors is subject to approval by our Board, which is based, in part, on the recommendation of the Compensation Committee. Directors who are employees of our company do not receive additional compensation for service as members of either our Board of Directors or its committees.

For service during calendar year 2021, our non-employee directors received an annual cash retainer of \$80,000, payable quarterly in arrears, and time-based RSUs (“Time-Based RSUs”) worth \$190,000. The annual grant of such Time-Based RSUs was made on the first business day of 2021 (the “RSU Grant Date”) and the number of units was determined by dividing \$190,000 by the average of the closing prices of the company’s common stock on the ten trading days immediately preceding the RSU Grant Date. The grant vested on the first business day of 2022. The vice chairman of the Board received an additional \$25,000 annual cash retainer, payable quarterly in arrears. The lead independent director also received an additional \$25,000 annual cash retainer, payable quarterly in arrears. The chairmen of our Audit Committee, our Compensation Committee, and our Nominating, Corporate Governance and Sustainability Committee each received an additional cash retainer of \$25,000, \$20,000 and \$20,000, respectively, payable quarterly in arrears. Our Acquisition Committee was dissolved on July 30, 2021 and the chairman received a prorated portion of the annual fee of \$15,000, paid quarterly in arrears.

No other fees are paid to our directors for their attendance at or participation in meetings of our Board or its committees. We reimburse our directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

In 2016, our Board adopted a stock ownership policy establishing guidelines and stock retention requirements that apply to our non-employee directors and executive officers. Non-employee directors are subject to a stock ownership guideline of six (6) times the annual cash retainer. To determine compliance with these guidelines, generally, common shares held directly or indirectly, vested restricted stock units subject to deferred delivery of stock, and unvested restricted stock units subject solely to time-based vesting, count towards meeting the stock ownership guidelines. Stock options and equity-based awards subject to performance-based vesting conditions are not counted toward meeting stock ownership guidelines until they have been exercised or the performance conditions are met, as applicable. Until the guidelines are met, 70% of shares received upon settlement of equity-based awards are required to be retained by the director. Under the policy, a newly-appointed director is required to reach the required ownership level no later than three years from the date of his or her appointment. Accordingly, Mr. Aiken, Ms. Kissel, Ms. Landry and Mr. Taylor need to acquire the necessary amount of equity by August 2, 2024. As of the Record Date, Ms. DeSalva, Mr. Jesselson and Mr. Kingshott were in compliance with the policy.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

From January 1, 2021 to August 2, 2021, the Compensation Committee was comprised of the following three directors: Dr. Papastavrou (chairman), Ms. Colucci and Mr. Jesselson. On August 2, 2021, Dr. Papastavrou and Ms. Colucci resigned from the company’s Board to join the GXO board. From August 2, 2021 to December 31, 2021, the Compensation Committee was comprised of the following three directors: Mr. Taylor (chairman), Ms. Kissel and Ms. Landry. None of the members of our Compensation Committee have been an officer or employee of our company. During 2021, there were no material reportable transactions between the company and the members of the Compensation Committee, other than described in the “Certain Relationships and Related Party Transactions” section on page 27, and none of our executive officers served on any compensation committee or board of directors of any entity that has one or more executive officers serving on our Compensation Committee or on our Board of Directors.

## **CORPORATE GOVERNANCE GUIDELINES AND CODE OF BUSINESS ETHICS**

Our Board of Directors is committed to sound corporate governance principles and practices. Our Board adopted Corporate Governance Guidelines on January 16, 2012, and most recently adopted amendments to the Guidelines on February 7, 2019, to establish the position of vice chairman of the Board. The vice chairman provides support to the chairman, lead independent director and the Board on key governance matters and stockholder engagement.

The Guidelines serve as a framework within which our Board conducts its operations. Among other things, the Guidelines include criteria for determining the qualifications and independence of the members of our Board, requirements for the standing committees of our Board and responsibilities for members of our Board, including meeting attendance, and responsibility for conducting an annual evaluation of the effectiveness of our Board and its committees. The Nominating, Corporate Governance and Sustainability Committee is responsible for reviewing the Guidelines annually, or more frequently as appropriate, and recommending appropriate changes to our Board in light of applicable laws and regulations, the governance standards identified by leading governance authorities, and our company’s evolving needs.

We have a Code of Business Ethics (the “Code”) that applies to our directors and executive officers. This Code is designed to deter wrongdoing, promote the honest and ethical conduct of all employees and promote compliance with applicable governmental laws, rules and regulations, as well as provide clear channels for reporting concerns. The Code constitutes a “code of ethics” as defined in Item 406(b) of Regulation S-K. We intend to satisfy the disclosure requirements under applicable SEC rules relating to amendments to the Code or waivers of any provision of the Code as applicable to our principal executive officer, our principal financial officer and our principal accounting officer, by posting such disclosures on our website pursuant to SEC rules.

The Guidelines and our Code of Business Ethics are available on our website at [www.xpo.com](http://www.xpo.com). In addition, you may obtain a printed copy of these documents, without charge, by sending a request to Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

## **DIRECTOR INDEPENDENCE**

Under the Guidelines, our Board of Directors is responsible for making independence determinations annually with the assistance of the Nominating, Corporate Governance and Sustainability Committee. Such independence determinations are made by reference to the independence standard under the Guidelines and the definition of “independent director” under Section 303A.02 of the NYSE Rules. Our Board has affirmatively determined that each person who served as a director during any part of 2021, except for Mr. Jacobs, our chairman of the Board and chief executive officer, satisfies the independence standards under the Guidelines and the NYSE Rules.

In addition to the independence standards provided in the Guidelines, our Board has determined that each director who serves on our Audit Committee satisfies standards for independence of Audit Committee members established by the SEC; that is, the director may not: (i) accept directly or indirectly any consulting, advisory or other compensatory fee from our company other than their director compensation, or (ii) be an affiliated person of our company or any of its subsidiaries. Our Board has also determined that each member of the Compensation Committee satisfies the NYSE standards for independence of Compensation Committee members. Additionally, our Board has determined that each member of the Nominating, Corporate Governance and Sustainability Committee satisfies the NYSE standards for independence. In making the independence determinations for each director, our Board and the Nominating, Corporate Governance and Sustainability Committee analyzed certain relationships of the directors including both those that were not required to be disclosed pursuant to Item 404(a) of Regulation S-K and those required to be disclosed pursuant to Item 404(a) of Regulation S-K as set forth below in the section titled Certain Relationships and Related Party Transactions. For Ms. Colucci, the relationships not required to be disclosed below include ordinary course commercial transactions between our company and the entity for which Ms. Colucci serves as an executive. For Ms. DeSalva, the relationships not required to be disclosed below include ordinary course commercial transactions between our company and the organization for which Ms. DeSalva serves as a member of the board of governors. For Ms. Landry, the relationships not required to be disclosed below include Ms. Landry’s special responsibility of overseeing, on behalf of the Board, the company’s investor relations and external communications functions (as described above in the 2021 Director Compensation Table).

## **DIRECTOR SELECTION PROCESS**

The Nominating, Corporate Governance and Sustainability Committee is responsible for recommending to our Board of Directors all nominees for election to the Board, including nominees for re-election to the Board, in each case, after consultation with the chairman of the Board and in accordance with our company’s contractual obligations. Pursuant to the Investment Agreement, JPE has had and may in the future have the contractual right, based on its securities ownership as described above under “Directors,” to designate for nomination by our Board a certain percentage of the members of our Board. Subject to the foregoing, in considering new nominees for election to our Board, the Nominating, Corporate Governance and Sustainability Committee considers, among other things, breadth of experience, financial expertise, wisdom, integrity, an ability to make independent analytical inquiries, an understanding of our company’s business environment, knowledge and experience in areas such as technology and marketing, and other disciplines relevant to our company’s businesses, the nominee’s ownership interest in our company, and a willingness and ability to devote adequate time to Board duties, all in the context of the needs of the Board at that point in time and with the objective of ensuring diversity in the background, experience and viewpoints of Board members. When searching for new directors, our Board endeavors to actively seek out highly qualified women and individuals from historically underrepresented groups to include in the candidate pool. Our Board aims to create a team of diverse and highly skilled directors who provide our company with thoughtful board oversight. The Nominating, Corporate Governance and Sustainability Committee assesses the effectiveness of its diversity efforts through periodic evaluations of the Board’s composition.

Subject to the contractual rights granted to JPE pursuant to the Investment Agreement, the Nominating, Corporate Governance and Sustainability Committee may identify potential nominees for election to our Board from a variety of sources, including recommendations from current directors or management, recommendations from our stockholders or any other source the committee deems appropriate, including engaging a third-party consulting firm to assist in identifying independent director candidates.

Our Board will consider nominees submitted by our stockholders, subject to the same factors that are brought to bear when it considers nominees referred by other sources. Our stockholders can nominate candidates for election as directors by following the procedures set forth in our bylaws, which are summarized below. We did not receive any director nominees from our stockholders for the Annual Meeting.

Our bylaws require that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice must be delivered to or mailed and received by the secretary of our company not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year’s annual meeting. As more specifically provided in our bylaws, any nomination must include: (i) the nominator’s name and address and the number of shares of each class of our capital stock that the nominator owns, (ii) the name and address of any person with whom the nominator is acting in concert and the number of shares of each class of our capital stock that any such person

owns, (iii) the information with respect to each such proposed director nominee that would be required to be provided in a proxy statement prepared in accordance with applicable SEC rules, and (iv) the consent of the proposed candidate to serve as a member of our Board.

Any stockholder who wishes to nominate a potential director candidate must follow the specific requirements set forth in our bylaws, a copy of which may be obtained by sending a request to Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

## BOARD OVERSIGHT OF HUMAN RESOURCES MANAGEMENT

At XPO, every action we take is based on our values — we are safe, entrepreneurial, respectful, innovative and inclusive.

XPO management and our Board of Directors are committed to maintaining XPO's rewarding work environment. Our success relies in large part on our strong governance structure and Code of Business Ethics, our good corporate citizenship and, importantly, engaged employees who embrace our values. Our management team and Board work together in a transparent manner, allowing for open communication, including with respect to human resources-related matters. Our directors have access to information about our human resources operations and plans, and our chief human resources officer is invited to attend and speak regularly at meetings of our Board. Additionally, all members of the Board continue to be invited to attend internal monthly operating review meetings with business unit leaders. These meetings include human capital management topics such as discussions about COVID-19, ESG initiatives and employee safety. The Compensation Committee met a combined nine times during 2021 and, in addition, acted five times via unanimous written consent. In addition to discussing executive compensation, the Committee discussions included ESG initiatives and other items related to human resources management.

As a customer-centric company with a strong service culture, we constantly work to maintain our position as an employer of choice. This requires an unwavering commitment to workplace inclusion and safety, as well as competitive total compensation that meets the needs of our employees and their families. Throughout 2021, we continued to make ongoing significant investments in the safety, well-being and satisfaction of our employees in the following areas, among others:

- *Diversity, Equity and Inclusion (DE&I)*: Led by our chief diversity officer, we offer inclusivity courses through our XPO University e-learning portal. We also engage in academic partnerships that advance diversity in higher education, including our collaboration with Historically Black Colleges and Universities ("HBCUs") and the Hispanic Association of Colleges and Universities. We sponsor inclusion programs and employee resource groups that support employee heritage, women, veterans, the LGBTQ+ community, people with disabilities and other multicultural groups. Commitments added in 2021 include a partnership with Hiring our Heroes, a DE&I global employee portal and "Table Talk" conversations on DE&I topics with XPO leaders.
- *Health and Safety*: Throughout the COVID-19 pandemic, we've continued to prioritize employee physical and mental health and have aimed to balance protecting employee health while creating a comfortable work environment. We remain diligent in upholding XPO's COVID-19 safety protocols, including daily health attestations, a contactless delivery policy for our drivers and customers, pandemic paid sick leave and access to mental health counseling services for employees and their dependents. Another way we work to decrease occupational injuries and illnesses is through our global Road to Zero program. Road to Zero instills safety and compliance awareness through education, mentoring, communication and on-the-job training. In 2021, our North American Transport business unit maintained an Occupational Safety and Health Administration ("OSHA") total recordable incident rate ("TRIR") that was 2.63 points lower than the BLS national benchmark for the Truck Transportation industry, based on the "Industry Injury and Illness Data" of the U.S. Bureau of Labor Statistics.
- *Talent Development and Engagement*: We ask our employees for feedback through engagement surveys, virtual roundtables and town halls, including an annual satisfaction survey among our "non-wired" U.S. frontline employee audience. We use these periodic engagements to gauge our progress, ask for constructive suggestions and create action plans to execute improvements. We emphasize professional development and the identification of top industry talent in all aspects of our talent development process. Our professional development initiatives include Grow at XPO, RISE and an XPO Graduate program.
- *Expansive Total Rewards*: We offer a total compensation package that is both competitive and progressive to help attract and retain outstanding talent. In 2021, we provided concentrated and broad-based wage increases for more than 22,000 hourly workers throughout the year, and annual merit-based and promotional increases for our salaried employees. In addition, we hired nearly 15,000 employees globally at competitive rates as we continued to invest in the company's growth, innovation and commitment to deliver relentlessly for our customers. We also offered health plan options, a comprehensive pregnancy care policy, family bonding policy, tuition reimbursement, company contributions to 401(k) retirement accounts and additional benefits, such as diabetes management, supplemental insurance and, for certain employees, short-term loans.

For additional details of our global progress in these key areas, see Human Capital Management included in Part I, Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2021.

## BOARD OVERSIGHT OF SUSTAINABILITY MATTERS

We work to promote environmental, social and organizational sustainability through the decisions we make and our interactions with colleagues, customers, suppliers and other stakeholders. Sustainability features prominently in deliberations among our directors and informs their overall approach to risk oversight. In December 2020, the Board approved amendments to the charter of the

Nominating, Corporate Governance and Sustainability Committee to support the Board in its oversight of, and engagement with, management regarding the company's purpose-driven sustainability strategies, performance and external disclosures, including material ESG matters, and related stakeholder engagement.

We believe that sustainability is essential to our company's long-term viability. It fosters an equitable workplace for our employees, both now and in the future. In addition, ESG matters are important to many of our stakeholders who want to do business with partners that share their goals; for example, the transition to a low-carbon economy. Our annual sustainability report is available at [sustainability.xpo.com](https://sustainability.xpo.com).

## **BOARD OVERSIGHT OF INFORMATION TECHNOLOGY AND CYBERSECURITY RISK MANAGEMENT**

Our Board maintains direct oversight over information technology and cybersecurity risk. The directors both receive and provide feedback on regular updates from management regarding information technology and cybersecurity governance processes, the status of projects to strengthen internal cybersecurity, and the results of security breach simulations. The Board also discusses relevant incidents in the industry and the evolving threat landscape.

Our company has a robust cybersecurity team managed by our chief information security officer. This team continuously reviews relevant legislative, regulatory and technical developments and enhances our information security capabilities in order to protect against potential threats. Our cybersecurity infrastructure successfully blocked approximately 350 million threats to our operations during 2021.

We are committed to continually improving our detection and recovery processes and have rolled out an IT security training program that all employees are required to complete at regular intervals. We also have obtained an information security risk insurance policy.

## **STOCKHOLDER COMMUNICATION WITH THE BOARD**

Stockholders and other parties interested in communicating with our Board of Directors, any Board committee, any individual director, including our lead independent director, or any group of directors (such as our independent directors) should send written correspondence to Board of Directors c/o Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831. Please note that we will not forward communications to the Board that qualify as spam, junk mail, mass mailings, resumes or other forms of job inquiries, surveys, business solicitations or advertisements.

## **STOCKHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING**

Stockholder proposals intended to be presented at our 2023 Annual Meeting of Stockholders must be received by our Corporate Secretary no later than December 19, 2022, in order to be considered for inclusion in our proxy materials, pursuant to Rule 14a-8 under the Exchange Act.

As more specifically provided for in our bylaws, no business may be brought before an annual meeting of our stockholders unless it is specified in the notice of the annual meeting or is otherwise brought before the annual meeting by or at the direction of our Board of Directors or by a stockholder entitled to vote and who has delivered proper notice to us not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. For example, assuming that our 2023 Annual Meeting of Stockholders is held on or after May 18, 2023, any stockholder proposal to be considered at the 2023 Annual Meeting of Stockholders, including nominations of persons for election to our Board, must be properly submitted to us no earlier than November 19, 2022 and no later than February 17, 2023.

Additionally, to comply with the SEC's universal proxy rules (once effective), stockholders who intend to solicit proxies in support of director nominees other than the Company's nominees must provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than March 19, 2023.

Detailed information for submitting stockholder proposals or nominations of director candidates will be provided upon written request sent to Corporate Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.



# CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

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Under its written charter, the Audit Committee of our Board of Directors is responsible for reviewing and approving or ratifying any transaction between our company and a related person (as defined in Item 404 of Regulation S-K) that is required to be disclosed under the rules and regulations of the SEC. Our management is responsible for bringing any such transaction to the attention of the Audit Committee. In approving or rejecting any such transaction, the Audit Committee considers the relevant facts and circumstances, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence.

As disclosed in our 2021 Proxy Statement, in December 2020 and January 2021, the company entered into separate exchange agreements with certain holders of our preferred stock and warrants, including Jacobs Private Equity, LLC ("JPE"), of which Mr. Brad Jacobs is the Managing Member, and Mr. Troy Cooper, who served as the company's president until December 27, 2021 (the "Exchanging Parties"). Pursuant to the exchange agreements, the Exchanging Parties (i) exchanged their preferred stock for a combination of (x) our common stock, based on the number of shares of common stock into which our preferred stock was then convertible; and (y) a lump-sum cash payment that represented an approximation of the net present value of the future dividends required by the terms of our preferred stock to be paid by us; and/or (ii) exchanged their warrants for the number of shares of our common stock that was equal to the number of shares of common stock that such holder would be entitled to receive upon an exercise of the warrants less the number of shares of our common stock that had an approximate value equal to the exercise price of the warrants, based on the formula set forth in the exchange agreements. Most of the exchanges were completed in 2020; Mr. Cooper's warrant exchange was completed in January 2021 and he received 9,420 unregistered shares of our common stock. JPE's warrant exchange was completed in February 2021 and we issued 9,071,162 unregistered shares of our common stock to JPE. The exchange transactions were made to simplify our equity capital structure, including in contemplation of our previously announced plan to pursue the spin-off.

During the year ended December 31, 2021, General Dynamics Corporation paid the company approximately \$4.9 million for ordinary course commercial transactions, which amount is less than the greater of \$1 million or 2% of General Dynamics Corporation's consolidated gross revenues for each of the last three fiscal years. Mr. Aiken, a director of the company, serves as senior vice president and chief financial officer of General Dynamics Corporation.

During the year ended December 31, 2021, Jesselson Capital Corporation paid the company approximately \$124,000, which amount is less than the greater of \$1 million or 2% of Jesselson Capital Corporation's consolidated gross revenues for each of the last three fiscal years. Mr. Jesselson, a director of the company, serves as the president and chief executive officer of Jesselson Capital Corporation.

# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of our voting securities as of the Record Date by: (i) each person who is known by us, based solely on a review of public filings, to be the beneficial owner of more than 5% of any class of our outstanding voting securities, (ii) each director, (iii) each NEO, and (iv) all executive officers and directors as a group. None of the foregoing persons beneficially owned any shares of equity securities of our subsidiaries as of the Record Date.

Under applicable SEC rules, a person is deemed to be the “beneficial owner” of a voting security if such person has (or shares) either investment power or voting power over such security or has (or shares) the right to acquire such security within 60 days by any of a number of means, including upon the exercise of options or warrants or the conversion of convertible securities. A beneficial owner’s percentage ownership is determined by assuming that options, warrants and convertible securities that are held solely by the beneficial owner, and which are exercisable or convertible within 60 days, have been exercised or converted. Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all voting securities shown as being owned by them. Unless otherwise indicated, the address of each beneficial owner in the table below is care of XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding <sup>(1)</sup>
<b>Beneficial Ownership of 5% or more:</b>		
Jacobs Private Equity, LLC	11,915,701 <sup>(2)</sup>	10.4%
Orbis Investment Management Limited <sup>(3)</sup>	11,104,073	9.7%
BlackRock, Inc. <sup>(4)</sup>	9,143,216	7.9%
The Vanguard Group <sup>(5)</sup>	9,032,676	7.9%
MFN Partners, LP <sup>(6)</sup>	6,075,369	5.3%
<b>Directors:</b>		
Jason Aiken	920	*
AnnaMaria DeSalva	14,851 <sup>(7)</sup>	*
Michael Jesselson	295,969 <sup>(8)</sup>	*
Adrian Kingshott	113,465 <sup>(9)</sup>	*
Mary Kissel	920	*
Allison Landry	920	*
Johnny C. Taylor, Jr.	920	*
<b>NEOs:</b>		
Brad Jacobs+	12,303,117 <sup>(10)</sup>	10.7%
Mario Harik	123,548	*
Ravi Tulsyan	56,269 <sup>(11)</sup>	*
Troy Cooper	113,315 <sup>(12)</sup>	*
David Wyshner	4,691 <sup>(13)</sup>	*
Current Directors and Executive Officers as a Group: (10 People)	12,910,899 <sup>(14)</sup>	11.2%

\* Less than 1%

+ Director and Executive Officer

<sup>(1)</sup> For purposes of this column, the number of shares of the class outstanding for each person reflects the sum of: (i) 115,020,310 shares of our common stock that were outstanding as of the Record Date, and (ii) the number of RSUs held, if any, that are or will become vested within 60 days of the Record Date.

<sup>(2)</sup> Mr. Jacobs has indirect beneficial ownership of the shares of our common stock beneficially owned by JPE as a result of being its managing member. In addition, Mr. Jacobs directly owns 387,416 shares of our common stock following the vesting of equity incentive awards and exercise of stock options. See footnote<sup>(10)</sup> below.

<sup>(3)</sup> Based on Amendment No. 9 to the Schedule 13G filed on February 14, 2022 by Orbis Investment Management Limited (“OIML”), Orbis Investment Management (U.S.), L.P. (“OIMUS”) and Allan Gray Australia Pty Ltd (“AGAPL”), which reported that, as of December 31, 2021, OIML beneficially owned 10,952,444 shares of our common stock, OIMUS beneficially owned 148,734 shares of our common stock, and AGAPL beneficially owned 2,895 shares of our common stock. These entities have sole voting and sole dispositive power over such shares of our common stock. The address of the principal business office of OIML is Orbis House, 25 Front Street, Hamilton, Bermuda HM11. The address of the principal business office of OIMUS is 600 Montgomery Street, Suite 3800, San Francisco, CA 94111, USA. The address of the principal business office of AGAPL is Level 2, Challis House, 4 Martin Place, Sydney NSW2000, Australia.

- <sup>(4)</sup> Based on Amendment No. 3 to the Schedule 13G filed on February 3, 2022 by BlackRock, Inc., which reported that, as of December 31, 2021, BlackRock, Inc. beneficially owned 9,143,216 shares of our common stock, with sole voting power over 8,609,357 shares of our common stock and sole dispositive power over 9,143,216 shares of our common stock. The address of the principal business office of BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10055.
- <sup>(5)</sup> Based on Amendment No. 7 to the Schedule 13G filed on February 10, 2022 by The Vanguard Group, which reported that, as of December 31, 2021, The Vanguard Group beneficially owned 9,032,676 shares of our common stock with shared voting power over 73,635 shares of our common stock, sole dispositive power over 8,819,286 shares of our common stock and shared dispositive power over 213,390 shares of our common stock. The address of the principal business office of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- <sup>(6)</sup> Based on the Schedule 13G filed on March 21, 2022 by (i) MFN Partners, LP (the “Partnership”); (ii) MFN Partners GP, LLC (“MFN GP”), as the general partner of the Partnership; (iii) MFN Partners Management, LP (“MFN Management”), as the investment adviser to the Partnership; (iv) MFN Partners Management, LLC (“MFN LLC”), as the general partner of MFN Management; (v) Michael F. DeMichele, as a managing member of MFN GP and of MFN LLC; and (vi) Farhad Nanji, as a managing member of MFN GP and of MFN LLC (each, a “Reporting Person” and collectively, the “Reporting Persons”), which reported that, as of March 9, 2022, the Reporting Persons collectively owned 6,075,369 shares of our common stock with shared voting power and shared dispositive power. The address of the principal business office of each of the Partnership, MFN GP, MFN Management, MFN LLC and Messrs. DeMichele and Nanji is c/o MFN Partners Management, LP, 222 Berkeley Street, 13th Floor, Boston, MA 02116.
- <sup>(7)</sup> Consists of 2,881 directly held shares of our common stock and 11,970 RSUs that are or will become vested within 60 days of the Record Date.
- <sup>(8)</sup> Consists of (i) 28,931 directly held shares of our common stock, (ii) 5,000 shares of our common stock held in an individual retirement account of Mr. Jesselson, (iii) 6,000 shares of our common stock owned by Mr. Jesselson’s spouse, (iv) 201,001 shares of our common stock beneficially owned by the Michael G. Jesselson 4/8/71 Trust and the Michael G. Jesselson 12/18/80 Trust, of which trusts Mr. Jesselson is the beneficiary, (v) 8,000 shares of our common stock beneficially owned by the JJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (vi) 8,000 shares of our common stock beneficially owned by the RAJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (vii) 8,000 shares of our common stock beneficially owned by the SJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (viii) 21,057 shares of our common stock beneficially owned by Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, and (ix) 9,980 RSUs that are or will become vested within 60 days of the Record Date.
- <sup>(9)</sup> Consists of 73,742 directly held shares of our common stock and 39,723 RSUs that are or will become vested within 60 days of the Record Date.
- <sup>(10)</sup> Mr. Jacobs has indirect beneficial ownership of the shares of our common stock owned by JPE as a result of being its managing member. As of the Record Date, JPE owned 11,915,701 shares of our common stock. As of the date of this Proxy Statement, JPE owns 6,468,201 shares of our common stock. In addition, Mr. Jacobs directly owns 387,416 shares of our common stock following the vesting of equity incentive awards and exercise of stock options. See footnote (2) above.
- <sup>(11)</sup> Mr. Tulsyan became chief financial officer of the company on September 2, 2021.
- <sup>(12)</sup> Mr. Cooper stepped down from his position as president of the company on December 27, 2021. His beneficial ownership information is based on the company’s records as of the Record Date.
- <sup>(13)</sup> Mr. Wyshner stepped down from his position as chief financial officer of the company on September 2, 2021. His beneficial ownership information is based on the company’s records as of the Record Date.
- <sup>(14)</sup> Includes 61,673 RSUs that are or will become vested within 60 days of the Record Date.

# EXECUTIVE COMPENSATION

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## LETTER FROM THE COMPENSATION COMMITTEE

Dear Fellow Stockholders,

As first-time members of the Compensation Committee of the XPO Board of Directors (the “Committee”), it is our pleasure to introduce ourselves and express our commitment to ensuring XPO is focused on continuously enhancing its executive compensation and other human capital management practices. We know these matters are critically important to our shareholders, and we look forward to continued dialogue with you on these initiatives.

In conjunction with the spin-off of GXO Logistics in August 2021, XPO appointed four new directors with diverse backgrounds to its Board, including each of us on the Committee, and other prior XPO directors moved to GXO.

The members of the reformulated Committee providing this report are:

- **Johnny C. Taylor, Jr. (chairman)**, chief executive officer of the Society of Human Resources Management (SHRM), and former president and chief executive officer of the Thurgood Marshall College Fund, among others.
- **Mary Kissel**, executive vice president and senior policy advisor with Stephens Inc., former senior advisor to the US Secretary of State, and formerly with The Wall Street Journal as a member of the editorial board and editorial page editor for Asia-Pacific.
- **Allison Landry**, former senior transportation research analyst with Credit Suisse, covering the trucking, railroad, airfreight and logistics industries.

Our Committee is committed to building upon the company’s history of exceptional long-term value creation by setting ambitious targets for its executives and aligning their awards with achieving these goals. We want to sustain and enhance this strong pay-for-performance alignment. Additionally, we’ve spent considerable time discussing the company’s human resources management efforts, including workplace inclusion and safety, professional growth opportunities and competitive total compensation that benefits our employees and their families.

### Responsiveness to 2021 Say-on-Pay Vote

We believe dialogue with stockholders is critical, in order to hear their perspectives and share our views on executive compensation philosophy and design. During the 2021 proxy season and in the weeks following the annual meeting, independent directors and senior members of management reached out to stockholders representing approximately 50% of XPO’s common stock and ultimately engaged with stockholders representing 47% of XPO’s common stock.

Both the pre- and post-spin-off Committees reviewed the feedback from stockholders with management to fully understand their viewpoints and examined executive pay structures in the context of the company’s changing business profile, following the planned (and subsequently executed) spin-off of GXO.

Many of those discussions focused on the form and vesting schedule of the cash long-term incentive awards granted to Mr. Jacobs, Mr. Harik and Mr. Cooper in 2020 (the “2020 LTI Awards”), the company’s expectations for addressing the outstanding equity awards upon the spin-off of GXO, the structure of the short-term incentive (“STI”) framework and the enhanced disclosures included in our 2021 proxy statement. This engagement includes management discussions with stockholders in the weeks following the annual meeting, including in depth discussions on ESG-related and executive compensation topics.

In light of this careful review and the feedback from our stockholders, the Committee, collectively, took the following actions:

- **Instituted a formulaic STI structure:** In response to stockholder feedback expressing a preference for a formulaic annual incentive construct, the STI structure for all executive officers has been modified to be entirely formulaic, based on achievement of the company’s annual adjusted EBITDA target.
- **Replaced cash LTI Awards with performance-based equity awards:** In response to stockholder feedback expressing a preference for equity-based incentives and to address 2022 strategic priorities, the Committee elected, in 2022, to cancel certain 2020 LTI Award tranches. These were replaced with performance-based stock units (“PSUs”) with target grant date values aligned to the same target values of the cancelled portions of the 2020 LTI Award. The PSUs preserve a sliding scale for payout, include a gating performance goal and are tied to rigorous financial goals reflecting the expected positive impact of the continuous improvement initiatives of the company’s less-than-truckload business, for which Mr. Harik serves as acting president, in addition to his role as chief information officer:
  - For Mr. Jacobs — Cancellation of 50% of the target value of the 2022 tranche of the 2020 LTI Award, originally denominated in cash and representing a \$5 million target value, and
  - For Mr. Harik — Cancellation of 100% of the target value of the 2022 tranche of the 2020 LTI Award originally denominated in cash and representing a \$2.25 million target value, and

- The PSUs preserve the same payout opportunity as the cash-based 2020 LTI Award they replace: 0% payout below target and 200% at maximum level of achievement.
- **Recalibrated all outstanding long-term awards with post-spin-off targets, including changes to strengthen the rigor of absolute financial targets in the 2020 LTI Award:** In response to stockholder requests for greater rigor of performance targets in the 2020 LTI Award, upon the spin-off of GXO, the Committee recalibrated all outstanding long-term awards, including the 2018 and 2019 PSUs and 2020 LTI Award with post-spin-off targets. For the 2020 LTI Award adjustment, the Committee took the opportunity to use the revised 2021 budget for the post-spin-off transportation company to create a new baseline, which projected upward targets for 2021 and, in turn, a higher basis for forecasted growth for the performance periods of 2022 and 2023. The adjustments thereby increased the rigor of the absolute targets underlying this award and created a higher standard of performance for the NEOs to achieve, while also appropriately reflecting XPO's post-GXO spin-off business profile. For the 2018 and 2019 PSUs, the adjustment methodology was based on the requirement of the 2016 Omnibus Incentive Compensation Plan (the "Omnibus Plan") to make equitable adjustments.
- **Designed CFO LTI Award as an equity-based incentive:** In response to stockholder preference for equity incentives, upon the appointment of Mr. Tulsyan as our chief financial officer, his reward package did not include a cash denomination and instead was comprised entirely of equity, including performance-based stock units which replicated the performance conditions of the 2020 LTI Awards granted to the other named executive officers. Mr. Tulsyan also received an award of time-based restricted stock units.
- **Made no additional LTI awards to CEO:** No incremental grants of long-term incentive compensation were issued to Mr. Jacobs, our chief executive officer.

In 2022, the Committee will continue to place importance on stockholder feedback in forming our executive compensation decisions. We are mindful of the company's strategic plan for the spin-off of our tech-enabled brokered services platform and two divestitures this year. We remain committed to the long-standing core principles of the Committee's approach to executive compensation, which are firmly rooted in pay-for-performance alignment, and which have effectively propelled XPO to have the seventh best-performing stock in the last decade on the Fortune 500, and we look forward to discussing our efforts to maintain XPO's rewarding work environment for all employees.

Sincerely,

Johnny C. Taylor, Jr. (Committee chairman)  
Mary Kissel  
Allison Landry

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes XPO's executive compensation program for 2021. The Committee oversees our executive compensation program and practices. In this section, we explain the Committee's 2021 compensation decisions for the following named executive officers ("NEOs").

NEO	2021 ROLE
Brad Jacobs	Chairman and Chief Executive Officer
Mario Harik	Chief Information Officer and Acting President, LTL
Ravi Tulsyan	Chief Financial Officer
Troy Cooper	Former President (served until December 27, 2021)
David Wyshner	Former Chief Financial Officer (served until September 2, 2021)

## 2021 COMPANY PERFORMANCE HIGHLIGHTS

### Overview

In 2021, our NEOs successfully capitalized on strong end-market tailwinds to drive performance, create significant stockholder value through the spin-off of our logistics segment, GXO, and continue to enhance our organizational culture.

On balance, the operating environment was favorable for our company. The economic recovery drove increasing demand for our services, led by the continued strength of e-commerce and a nascent industrial rebound in North America. Supply chain disruptions, a tight labor market and the onset of inflation spurred more shippers to use third-party transportation outsourcing.

In August 2021, our NEOs transformed XPO into a pure-play freight transportation leader by successfully spinning off GXO as a separate public company. The spin-off created billions of dollars of stockholder value, simplified our business model and focused our resources on driving XPO's transportation revenue and margin higher, including in those parts of the business where our performance is already industry-best.

Having led XPO through the transition, our NEOs delivered record results in the fourth quarter of 2021 — our first full period as a pure-play transportation company. We reported significantly improved net income from continuing operations attributable to common shareholders, as well as the highest revenue and highest adjusted diluted EPS of any quarter in our company's history, as well as adjusted EBITDA that was a fourth quarter record.

For the full year 2021, under the skilled leadership of our NEOs, we achieved higher-than-expected revenue, profitability and cash generation, based on the operations of the remaining business:

- Record \$12.8 billion of revenue, including year-over-year revenue growth of 26% overall, 31% in our Brokerage and Other Services segment and 16% in our North American LTL segment;
- \$323 million of net income from continuing operations attributable to common shareholders;
- \$616 million of operating income;
- \$2.82 of diluted earnings per share from continuing operations;
- \$1.24 billion of adjusted EBITDA,\* 46% growth year-over-year from \$847 million in 2020;
- \$656 million of cash flow provided by operating activities from continuing operations, a 69% increase year-over-year from \$388 million;
- \$475 million of free cash flow,\* 77% growth year-over-year from \$268 million in 2020; and
- Ongoing net debt deleveraging as a key step in achieving an investment-grade credit rating.

In addition to strong financial results, our NEOs continued to take strong steps to deliver sustainable stockholder value through fostering a culture based on employee well-being, technological innovation and customer service. In 2021, our NEOs prioritized employee safety in the pandemic, introduced new diversity initiatives, widened our technology advantage and further engaged our organization in helping our company and customers meet ESG goals.

### **Strategic Execution and Tactical Agility**

Our NEOs' integral role in the ongoing execution of our company's strategy is exemplified by the significant year-over-year increases in the four metrics shown below, and by the tactical success of key initiatives in our core businesses:

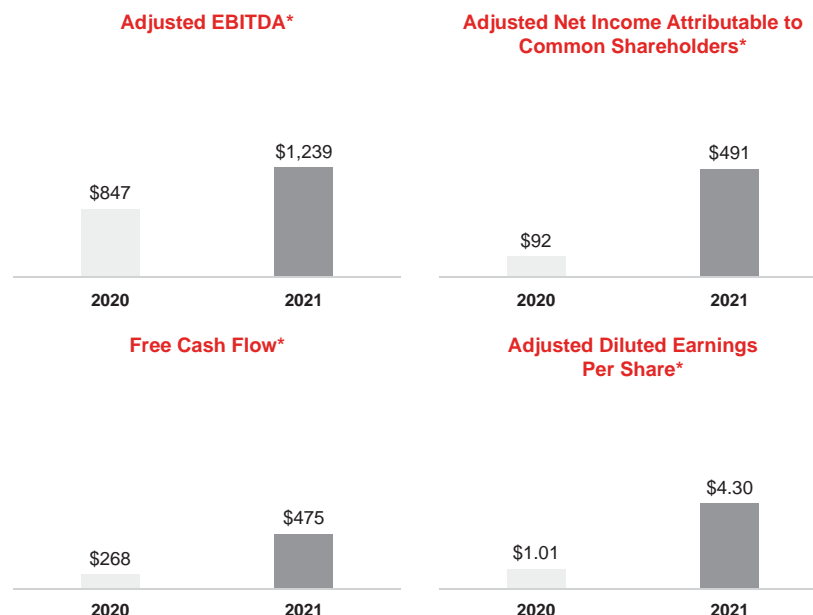
- **North American LTL.** In 2021, our NEOs implemented company-specific initiatives to optimize our LTL operations, with an emphasis on our proprietary technology. In October 2021, our NEOs initiated a five-point tactical plan to drive efficiency and growth, primarily by investing in more network capacity and deploying additional technology tools. This plan is delivering significant benefits that extend beyond 2021.
- **Truck Brokerage.** Our truck brokerage business realized strong volume growth and margins in 2021, due in large part to the rapid adoption of our proprietary XPO Connect® digital brokerage platform. The management, talent and capital resources allocated by our NEOs expanded the automation capabilities of XPO Connect® and enhanced the customer and carrier experiences. This propelled usage of the platform to record levels and strengthened our first-mover advantage in brokerage technology.

Due to the leadership of our NEOs in these and other areas of the business in 2021, we believe XPO is in a strong position to capitalize on the world-class organization we built over the last decade and unlock significantly more value going forward.

\* See Annex A for reconciliations of non-GAAP measures

The below metrics summarize the significant year-over-year gains generated in our key financial indicators, based on the continuing operations of the business post-GXO spin-off.

(\$ in millions, except per share data)



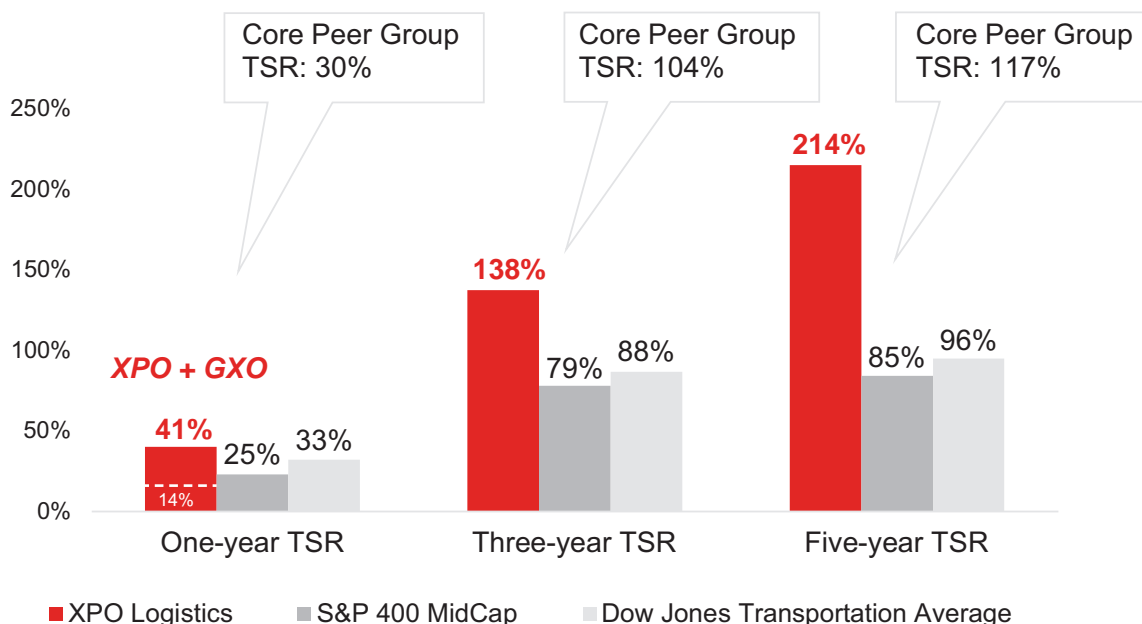
\* See Annex A for reconciliations of non-GAAP measures; adjusted net income from continuing operations attributable to common shareholders and adjusted diluted EPS from continuing operations

### Absolute and Combined Total Stockholder Return

The primary focus of our company's leadership team is to unlock superior value for our stockholders and other stakeholders through the effective execution of both our strategy and the optimal business model, and use of resources including our capital structure. This focus has resulted in the long-term outperformance of our total stockholder return (TSR) relative to the comparative indices and peer group illustrated below.

The spin-off of our logistics segment as GXO on August 2, 2021 resulted in a 1:1 distribution of 100% of shares to XPO stockholders, creating substantial value:

- If the value of a GXO share distributed in the spin-off (\$63.07 as determined by the closing share price of GXO stock on the distribution date) is treated as a dividend reinvested in XPO on August 2, 2021, XPO's resulting absolute TSR for 2021 is 14%.
- If a GXO share distributed in the spin-off is assumed retained by the stockholder through December 31, 2021, the resulting combined TSR of XPO and GXO shares is 41% for 2021, surpassing the performance of the comparative indices and the core peer group.



Notes:

Our core peer group is described in more detail under the heading “Key Factors Considered in Determining Executive Compensation.”

TSR calculations reflect the trading price of XPO common stock and that of the relevant indices/companies as of the last trading day of calendar years 2021, 2020, 2019, 2018, 2017, and 2016, as supplied by Research Data Group. The graph above is not the stock performance graph required by Item 201(e) of Regulation S-K; the required graph can be found in Part II, Item 5 of our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on February 16, 2022.

The combined TSR of XPO and GXO of 41% reflects the aggregate increase of the trading prices of XPO common stock and GXO common stock as of the last trading day of calendar year 2021, as measured against the trading price of XPO common stock on an unadjusted basis as of the last trading day of calendar year 2020. Three-year and five-year TSR calculations reflect XPO only.

## **OUR COMPENSATION PHILOSOPHY AND EXECUTIVE COMPENSATION PROGRAM OBJECTIVES**

XPO’s executive compensation philosophy is founded on the following core objectives:

- Attract high-impact, results-oriented executives in a competitive job market who will contribute to XPO’s strategic goals, including maximizing stockholder value.
- Ensure that each executive receives total compensation that encourages his or her long-term retention through business and individual performance assessments.
- Maintain executive focus on the company’s top priorities of profitable growth, innovation, operational excellence and customer satisfaction, as well as increased focus on ESG matters, including employee safety and engagement.
- Set ambitious targets that incentivize our executives to responsibly drive long-term stockholder value creation.
- Align the interests of our executives with those of our stockholders by emphasizing high growth and high returns in our long-term, performance-based incentives.
- Incorporate stockholder feedback into the Committee’s decision-making process.

### ***Our Commitment to Stockholder Value Creation and Alignment with Pay-for-Performance***

The Committee regularly analyzes pay-for-performance alignment to ensure that our compensation plan is achieving its intended outcomes.

In recent years, the Committee reviewed the pay-for-performance alignment of our compensation program on a realizable basis, using a four-year period to correspond with XPO’s performance periods for prior awards. A realizable pay analysis allows the Committee to assess whether the value of the compensation received by our CEO is rightsized relative to stockholder return on investment in the company over time. The analysis affirms performance alignment of our executive compensation program.

As shown below, the most recent analysis demonstrated that our CEO’s relative pay and performance are fully aligned, demonstrating strong performance relative to peers over the past four years. From 2017 to 2020 (2021 data was not yet publicly available for peer analysis), XPO’s realizable CEO pay and TSR performance were both at the 100<sup>th</sup> percentile versus core peers. The Committee takes a strategic approach to long-term incentive design and does not make grants on a typical annual cycle. Award grants are heavily performance-based and tied closely to the company’s progress on long-term results. Our method of award design also allows for continuous incorporation of stockholder feedback into the design of subsequent awards. This approach to granting awards has successfully aligned pay outcomes with performance and sustainable value creation.



## CEO PAY-FOR-PERFORMANCE ALIGNMENT 2017-2020



**Note:**

Realizable pay reflects the impact of performance on target pay and is calculated as the sum of (i) salary paid; (ii) STI paid; (iii) the value of equity compensation that vested, calculated using the closing stock price on 12/31/2020; (iv) the value of cash-settled performance awards, including the 2020 LTI Award, at the settlement value; and (v) the annualized realizable target value of outstanding equity awards using the closing stock price on 12/31/2020.

### STOCKHOLDER OUTREACH AND ENGAGEMENT

We believe that stockholder engagement is key to strong corporate governance and best practices in executive compensation. In our 2021 spring engagement, we engaged with stockholders representing approximately 47% of our common stock. This includes meetings led by our investor relations team and chief strategy officer following our quarterly earnings calls, participation at investor conferences and other communication channels in which we engage extensively on all topics, including in depth discussions on ESG, compensation and proxy ballot-focused meetings in the spring both prior to and after our annual meeting.

In spring of 2021 and in the weeks following the annual meeting, members of the Board and senior management, including our chief human resources officer, chief strategy officer and senior vice president of legal, reached out to stockholders representing approximately 50% of our common stock to discuss matters on our ballot prior to the 2021 Annual Meeting. We ultimately engaged across a range of engagement topics, including, but not limited to, executive compensation, sustainability, board composition, business strategy, the spin-off of GXO and general corporate governance practices. The pre-spin-off Board and Committee discussed the feedback from these sessions to determine how to implement responsive changes to the compensation program. Those steps included changing to a formulaic STI program structure and recalibrating all outstanding long-term incentive awards to be more rigorous and reflective of new baseline budget expectations for 2021 in the remaining business.

In the second half of 2021, our Board and management team were focused on optimizing XPO's portfolio by executing the GXO spin-off, and subsequently announcing another spin-off and business sale in early 2022. In conjunction with the spin-off completed in August, we took the opportunity to reformulate the Committee with entirely new members, each of whom bring diverse backgrounds and experiences to their roles. As our Committee took on their new roles, they continued to focus on ways to enhance our executive compensation program. The Committee elected to make several changes, including the decision in March 2022 to replace half of the CEO's 2022 tranche of the 2020 LTI Award, originally denominated in cash, with performance-based stock units tied to rigorous goals in order to incentivize the expected positive impact of the continuous improvement initiatives of the company's LTL business, while also responding to stockholders' preferences for equity-based incentives. In 2022, the Committee will continue to place importance on stockholder feedback in forming its executive compensation decisions. We are mindful of the company's

strategic plan for the spin-off of its tech-enabled brokered services platform and two divestitures this year, and we remain committed to the long-standing core principles of the Committee's approach to executive compensation. We intend to maintain ongoing engagement to inform our practices throughout this exciting transition.

The following chart demonstrates the ways in which the pre-spin-off and post-spin-off Committees collectively sought to address stockholder feedback in our executive compensation program.

Topic	Stockholder Perspective	Our Response
<p><b>Goal Achievement and Metrics</b></p>	<ul style="list-style-type: none"> <li>■ Stockholders asked for more disclosure around the STI program and for the structure to be less discretionary and more formulaic</li> <li>■ Stockholders expressed a preference for more rigor around long-term awards and alignment with go-forward strategy following the spin-off of GXO</li> </ul>	<ul style="list-style-type: none"> <li>■ The STI structure for all executive officers has been modified to be formulaic, based on achievement of the company's annual adjusted EBITDA target, aligned with the same bonus pool funding as all corporate employees, with a cap at 200%</li> <li>■ Upon the spin-off of GXO, the Committee recalibrated all outstanding long-term awards, including the 2018 and 2019 PSUs and 2020 LTI Awards and its component ESG scorecard with post-spin-off targets using an adjustment methodology that is consistent with market practice and, for the 2018 and 2019 PSUs, was in line with the requirement of the Omnibus Plan to make equitable adjustments. The 2020 LTI Award adjustment reflected the new baseline of the 2021 budget which was inclusive of upwardly revised targets for the remaining business and results in higher forecasted growth for the performance periods of 2022 and 2023, increasing the rigor of the targets. All adjustments reflect XPO's post-spin-off business profile</li> </ul>
<p><b>Outstanding Awards and Cadence of Awards</b></p>	<ul style="list-style-type: none"> <li>■ Stockholders expressed preference for outstanding performance-based awards to incorporate an equity component, as opposed to entirely cash-based awards</li> <li>■ Stockholders asked for XPO to not issue another award while the current award is active</li> </ul>	<ul style="list-style-type: none"> <li>■ In 2022, the Committee elected to cancel 50% of the target value of Mr. Jacobs' 2022 tranche of the 2020 LTI Award, originally denominated in cash and representing a \$5 million value; and elected to cancel 100% of the 2022 tranche of the 2020 LTI Award for Mario Harik, originally denominated in cash and representing a \$2.25 million value</li> <li>■ No incremental grants of long-term incentive compensation were issued to Mr. Jacobs</li> <li>■ PSUs were issued to Mr. Harik to replace the cancelled 2020 LTI tranche, with a grant date target value equivalent to that of the cancelled tranche; the PSUs are tied to rigorous goals related to the performance of the company's LTL business, which Mr. Harik leads</li> </ul>
<p><b>Pay-for-Performance Alignment</b></p>	<ul style="list-style-type: none"> <li>■ Stockholders expressed a preference for equity-based performance awards and asked XPO to consider including equity-based awards in the future</li> </ul>	<ul style="list-style-type: none"> <li>■ Upon the appointment of our current chief financial officer, Ravi Tulsyan, the performance goals applicable to the 2020 LTI Awards granted to the other named executive officers were applied to performance-based stock units granted as part of Mr. Tulsyan's new reward package, along with time-based RSUs</li> </ul>

## COMPENSATION GOVERNANCE HIGHLIGHTS

The company has adopted a compensation governance framework that includes the components described below, each of which the Committee believes reinforces the company's executive compensation philosophy.

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### WHAT WE DO

✓ **Significant emphasis on variable compensation.** Our NEO compensation program is heavily weighted toward variable compensation, including long-term incentives that are primarily performance-based, and annual short-term cash incentives. This allows the Committee to closely align total compensation values with both company and individual performance on an annual and long-term basis. All long-term incentives for Mr. Jacobs and Mr. Harik are variable and performance-based while Mr. Tulsyan's long-term incentives include a portion as time-based awards.

✓ **Substantial portion of compensation linked to creation of stockholder value.** Performance-based awards are, and have been, subject to meaningful stock price and/or earnings-related performance goals measured over service-based vesting periods. While performance-based awards have an important role in sustaining the NEOs' focus on the company's strategic objectives, the Committee also regularly reviews the full portfolio of XPO stockholdings for each NEO to ensure there is a sufficient amount of compensation at risk if the objectives are not met, further aligning compensation with stockholder returns and value creation, while sustaining the NEOs' focus on the company's strategic objectives.

✓ **Stock ownership policies.** The Board has established stock ownership guidelines and stock retention requirements that encourage the strong ownership mindset that exists among our NEOs. Our ownership guidelines reflect 6x annual base salary for our CEO and 3x annual base salary for our other NEOs.

✓ **Clawback policy.** Our NEOs are subject to clawback restrictions with respect to long-term and annual STI compensation.

✓ **Restrictive covenants.** Our NEOs are subject to comprehensive non-competition and other restrictive covenants.

✓ **Engage with stockholders.** Our Board values stockholder feedback and carefully considers investor perspectives for incorporation into its decision-making processes for governance, compensation and sustainability practices.

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### WHAT WE DON'T DO

✗ **No exceptional perquisites.** Our NEOs have no guaranteed STI, relocation benefits or supplemental pension or retirement savings beyond what is provided broadly to all XPO employees. In addition, our NEOs have no personal use of executive health services, club memberships, stipends or financial planning services.

✗ **No pledging or hedging of company stock, without preclearance.** Under our insider trading policy, our company's directors and executive officers, including the NEOs, are prohibited from pledging or holding company securities in a margin account without preclearance. In addition, they are prohibited from engaging in hedging transactions without preclearance, such as prepaid variable forwards, equity swaps, collars and exchange funds or any other transactions that are designed to or have the effect of hedging or offsetting any decrease in the market value of company equity securities.

✗ **No guaranteed annual salary increases or STI.** Salary increases are not guaranteed annually and are benchmarked against market data. Additionally, XPO does not guarantee STI payouts.

✗ **No stock option repricing or discounted exercise price.** Our company's equity incentive plan does not permit either stock option repricing without stockholder approval or stock option awards with an exercise price below fair market value.

✗ **No golden parachute excise tax gross-ups.** XPO does not provide golden parachute excise tax gross-ups.

✗ **No consultant conflicts.** The Committee retains an independent compensation consultant who performs services only for the Committee, as described in more detail below under the heading "Role of the Committee's Independent Compensation Consultant."

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## THE COMPENSATION COMMITTEE'S DECISION-MAKING PROCESS

### **Strong Governance and Robust Dialogue with Management**

Following the spin-off of GXO in August 2021, the compositions of XPO's Board and the Committee were reformulated, with the resulting Committee comprised of entirely new members. The Committee met a combined nine times during 2021 and, in addition, acted five times via unanimous written consent. The Committee discussed executive compensation and other routine items pursuant to its charter, in addition to addressing special situational topics, such as the spin-off, at times in special sessions. Additionally, all members of the Board continued to be invited to attend internal monthly operating review meetings with business unit leaders. These meetings included in-depth reviews of the company's financial results, as well as discussions about COVID-19, operational execution, ESG initiatives, sales, customer service, technology initiatives, process innovations, human capital

management, safety, the market landscape and business growth trajectories. The meetings also included reviews of key performance indicators that track the company's achievement of financial and non-financial objectives for each business line. Multiple Committee members attended these sessions throughout the year in order to remain well-informed about the company's financial and operational performance.

### **Key Factors Considered in Determining Executive Compensation**

The Committee balances the company's progress against objectives with insights from several other sources to form a multi-dimensional view of executive compensation. Influential factors include:

- Direct feedback from our stockholders;
- Performance against target expectations on annual adjusted EBITDA (the basis for the STI formula), absolute and relative annual total stockholder return for single year and multi-year periods, revenue, organic revenue growth, free cash flow and EPS;
- Market intelligence on executive pay levels and trending practices, relative to both our compensation peer group and other companies inside and outside the industry with a revenue size and/or business profile similar to XPO's;
- A review of each executive's current XPO stock holdings — both vested and unvested — as a representation of the realized and realizable pay accumulation for each executive;
- Individual performance and contributions within each executive's respective role;
- The bonus pool funding and payout ratio against target for all other companywide bonus-eligible employees; and
- The company's pay-for-performance alignment over the most recent several years.

### **Summary of Key Executive Compensation Decisions in 2021**

In response to stockholder feedback received during the lead up to the 2021 annual meeting, the Committee (inclusive of both the members before and after the spin-off of GXO), made numerous responsive changes to the company's executive compensation program.

- In response to certain stockholders' preference for a formulaic approach to STI, the Committee approved a fixed calculation of NEO annual STI beginning in 2021, with 100% of each executive officer's STI opportunity tied to achievement of the company's annual adjusted EBITDA target. The payout scale continues to range from 0% for achievement below 90% of the target adjusted EBITDA to 50% payout at 90% of target, and a maximum payout of 200% for achievement of 120% or more of the target.
  - Once the formula is applied, the Committee can consider various other factors to determine if the formula appropriately reflects company performance for the year, including: (i) other financial and market-related indicators, such as revenue, free cash flow and annual total stockholder return, and (ii) qualitative assessment of progress on strategic initiatives at an individual and company level, with final payout capped at 200%. This approach provides for both quantitative and qualitative elements to be considered in the decision-making process. The Committee believes that its comprehensive approach to evaluating individual and company performance results in greater alignment with stockholder interests.
  - For 2021, the Committee applied no other considerations upon evaluating the results of the STI formula, resulting in payouts of 156.25% of target for each of Mr. Jacobs, Mr. Harik and Mr. Tulsyan based on the level of attainment of the adjusted EBITDA target.
- No incremental long-term incentive grants were awarded to Mr. Jacobs and Mr. Harik during 2021. In connection with the spin-off of GXO, the Committee recalibrated the absolute adjusted cash flow per share targets for the 2020 LTI Awards granted to Mr. Jacobs and Mr. Harik in 2020, ensuring that the awards not only reflect targets associated with the remaining business profile of the company, but also represent higher performance hurdles that more accurately represent the updated view of the company's long-term performance. Specifically, the adjustments reflected the new baseline of the 2021 budget which was inclusive of upwardly revised targets for the remaining business and results in higher forecasted growth for the performance periods of 2022 and 2023.
- The ESG scorecard applicable to the 2020 LTI Awards was also amended to eliminate or appropriately restate targets that related to the logistics business. All resulting targets, both for the absolute adjusted cash flow per share metric and the ESG scorecard, appropriately reflect the financial and strategic position of XPO as a pure-play transportation company, on a post-spin-off basis.
- The Committee adjusted the performance goals applicable to the performance-based stock unit awards granted to Mr. Jacobs and Mr. Harik in August 2018 (the "2018 PSU Awards") and June 2019 (the "2019 PSU Awards") using an adjustment methodology that was in line with the requirement of the Omnibus Plan to make equitable adjustments. The adjustments adhered to a formulated methodology and reflect XPO's post-spin-off business profile. The adjustments to the PSU award grants did not result in any change to the fair value of the award.

Additionally, the Committee certified the performance outcomes for the previously granted 2020 LTI Awards for Mr. Jacobs and Mr. Harik and made determinations on award grants for the NEOs, as follows:

- With respect to Mr. Jacobs and Mr. Harik, the second annual performance period for the 2020 LTI Awards was completed on December 31, 2021 with a payout of 175% of target based on actual performance results. The 2021 payout percentages resulted

from the three weighted performance goals as follows: absolute adjusted cash flow per share (200% earned at 50% weighting); relative growth in adjusted cash flow per share (200% earned at 25% weighting); and ESG scorecard metrics (100% earned at 25% weighting). The Committee certified performance achievements in March 2022.

- Ravi Tulsyan received, in connection with his appointment as our chief financial officer, a \$1.75 million long-term incentive grant, with \$1 million in performance-based restricted stock units and \$750,000 awarded in time-based restricted stock units, with the same performance goals that apply to the 2020 LTI Awards (the “2021 PSU Award”). These topics are described further in the section below, titled “Long Term Incentives.”
- In response to previous stockholder feedback expressing a preference for equity-based awards, in the first quarter of 2022, the Committee elected to cancel 50% of the target value of Mr. Jacobs’ 2022 tranche of the 2020 LTI Award (a value of \$5 million, relating to the third annual performance period under the award) and replaced the cancelled cash value with LTL Performance Stock Units consisting of a gating performance goal tied to completion of the intended separation of XPO’s tech-enabled brokered transportation services from its LTL business in North America no later than December 31, 2022, and achievement of rigorous and formulaic performance goals supporting the continuous improvement of the company’s LTL business in 2022. This is described in further detail in “Forward-Looking Perspective: Long-Term Incentive Revisions Following Announcements of LTL Improvement Efforts and Planned Transactions.”
- For Mr. Harik, 100% of the cash value of the 2022 tranche of his 2020 LTI Award, representing a value of \$2.25 million, was cancelled and replaced with LTL Performance Stock Units, and Mr. Harik also received an incremental grant of LTL Performance Stock Units, given his pivotal role in leading the LTL business.

### **Benchmarking Executive Compensation Levels**

In order to attract and retain high-performing talent, the Committee references prevailing pay rates when establishing target compensation opportunities for our NEOs. To do this, the Committee uses a variety of sources for both the broader market and for a core peer group of companies.

The Committee, with input from management and its independent advisor, established the core peer group used in referencing executive compensation levels to ensure that the peer companies reflect characteristics comparable to XPO.

Following the spin-off of GXO, the Committee, with input from its independent advisor, conducted a review of the existing core peer group to assess peer alignment. The review included an examination of peers selected by size, performance, organization, geography and financial structure. Potential peers were further evaluated by comparing executive compensation levels against the existing core peer group. The review found limited compensation variability between the potential peers and the existing core peer group. Additionally, XPO’s 2021 year-end revenue continued to more closely reflect the performance of the existing core peer group; therefore, it was determined that no changes to the existing core peer group are needed at this time.

The companies that continue to comprise the core peer group for 2021 represent most of our key US-based, publicly traded competitors in the freight transportation industry, as listed below.

PEER	TICKER	2021 FULL-YEAR REVENUE \$ in millions
<b>United Parcel Service, Inc.</b>	<b>UPS</b>	<b>\$97,287</b>
<b>FedEx Corp.</b>	<b>FDX</b>	<b>\$83,959</b>
<b>C.H. Robinson Worldwide, Inc.</b>	<b>CHRW</b>	<b>\$23,102</b>
<b>Union Pacific Corp.</b>	<b>UNP</b>	<b>\$21,804</b>
<b>Expeditors International of Washington, Inc.</b>	<b>EXPD</b>	<b>\$16,524</b>
<b>CSX Corp.</b>	<b>CSX</b>	<b>\$12,522</b>
<b>J.B. Hunt Transport Services, Inc.</b>	<b>JBHT</b>	<b>\$12,168</b>
<b>Norfolk Southern Corp.</b>	<b>NSC</b>	<b>\$11,142</b>
<b>Ryder Systems, Inc.</b>	<b>R</b>	<b>\$9,663</b>
<b>Knight-Swift Transportation</b>	<b>KNX</b>	<b>\$5,998</b>
<b>Yellow Corp.<sup>(1)</sup></b>	<b>YELL</b>	<b>\$5,122</b>
<b>XPO Logistics, Inc.</b>	<b>XPO</b>	<b>\$12,806</b>
<b>Percentile Rank Based on 2021 Full Year Revenue</b>		<b>50%</b>

<sup>(1)</sup> Yellow Corp. (YELL) was formerly YRC Worldwide (YRCW)

Additionally, the Committee reviews general industry market data for companies within a similar revenue range, as a secondary reference. Given the significant number of senior executives hired from outside the transportation and logistics industry, general industry market data contributes to a comprehensive view of the market landscape.

## Pay Elements

Our executive compensation program consists of three primary elements: base salary, annual STI awards and long-term incentive awards. These elements are described in more detail below.

ELEMENT	PURPOSE	PAY-FOR-PERFORMANCE DESIGN
<b>BASE SALARY</b>	<ul style="list-style-type: none"> <li>To attract and retain high-performing executives</li> </ul>	<ul style="list-style-type: none"> <li>Fixed cash compensation corresponds to experience and job scope, and is aligned with market levels</li> </ul>
<b>SHORT-TERM INCENTIVE</b>	<ul style="list-style-type: none"> <li>To reward annual performance and individual contributions that support XPO's strategy and realize results</li> </ul>	<ul style="list-style-type: none"> <li>Executives become eligible for a STI if adjusted EBITDA is at least 90% of the full-year target level</li> <li>Payouts are determined based upon formulaic results of adjusted EBITDA relative to predetermined targets, with potential adjustments up or down based on other considerations, such as revenue, free cash flow, TSR and other financial, operational and strategic results</li> <li>Award amounts range from 0% to a cap of 200% of target</li> </ul>
<b>LONG-TERM INCENTIVES</b>	<ul style="list-style-type: none"> <li>To focus executives on the execution of our strategy for long-term value creation, and to align their compensation with outcomes for our stockholders</li> </ul>	<ul style="list-style-type: none"> <li>The Committee designs long-term incentive awards to motivate executives to achieve goals over an extended period of time; the Committee takes a strategic approach to long-term incentive design in order to align awards with the company's strategy and stockholder returns</li> <li>Since 2014, awards for Mr. Jacobs and Mr. Harik have been 100% performance-based and subject to the achievement of ambitious goals</li> </ul>

## EXECUTIVE COMPENSATION OUTCOMES FOR 2021

### Annual Base Salary

Annual base salary provides a fixed incentive that corresponds to an executive's experience and job scope. The Committee reviews base salaries each year, and may make periodic adjustments in response to changes in job scope, prevailing market levels or other factors. Mr. Tulsyan received a salary increase in conjunction with his promotion to chief financial officer in September 2021. Base salaries for all other NEOs, including Mr. Jacobs as chief executive officer, were not increased and have remained flat since the last salary increase in 2019.

### Annual Short-term Incentive

Our STI program is designed to reward annual performance and individual contributions that support XPO's strategy and align with results against expectations set for the year. Each NEO is eligible for a STI if annual adjusted EBITDA is at least 90% of the full-year forecast. The maximum annual STI payout opportunity is capped at 200% of target.

Target STI amounts were not increased in 2021 for Mr. Jacobs and Mr. Harik, consistent with the decision to not increase NEO salaries. Mr. Tulsyan's target STI amount was established in conjunction with his promotion to chief financial officer in September 2021.

For the 2021 performance year, the company's adjusted EBITDA\* was \$1.24 billion, meaningfully surpassing the post-spin-off annual target as well as initial post-spin-off pro forma guidance of \$1.195 billion to \$1.235 billion provided in July 2021, and ultimately resulting in aggregate STI funding of 156.25% of target for the NEOs, consistent with all corporate bonus-eligible employees.

In determining individual annual incentive award amounts, the Committee considered a holistic review of the company's financial results based on the applicable STI formula, as well as other operational and strategic results, together with individual performance. After review, the Committee approved the formulaic STI outcome, and each of the NEOs was awarded STI payouts equal to 156.25% of target. In recognition of their significant contributions to the successful spin-off of GXO, Mr. Tulsyan and Mr. Harik were each awarded additional supplemental STI of \$100,000.

The table below reflects the 2021 annual target STI opportunities and final outcomes for 2021.

STI FOR PERFORMANCE YEAR 2021 <sup>(1)</sup>						
		Target			Actual	
Executive Officer	Annual Base Salary	Annual STI Opportunity as a percentage of annual base salary	Annual STI Opportunity	Total Combined Salary and STI	STI <sup>(2)</sup>	Total Combined Salary and STI <sup>(2)</sup>
Brad Jacobs	\$1,000,000	200%	\$2,000,000	\$3,000,000	\$3,125,000	\$4,125,000
Mario Harik	\$500,000	125%	\$625,000	\$1,125,000	\$1,076,563	\$1,576,563
Ravi Tulsyan	\$500,000	100%	\$500,000	\$1,000,000	\$881,250	\$1,381,250

(1) Mr. Cooper and Mr. Wyshner were not eligible for an STI payment for 2021, according to the terms of their employment agreements following their separations

(2) For Mr. Harik and Mr. Tulsyan, totals include supplemental cash STI of \$100,000 each, in recognition of their significant contributions to the successful spin-off of GXO

\* See Annex A for reconciliations of non-GAAP measures

### Financial Results Relative to Publicly Disclosed Targets for 2021

PRIMARY PERFORMANCE INDICATORS UNDERSCORING COMMITTEE ASSESSMENT OF PERFORMANCE		
Key Measures	2021 Pro forma Targets <sup>(1)</sup>	2021 Achievements
Adjusted EBITDA*	\$1.228 billion to \$1.233 billion; midpoint of \$1.231 billion	✓ \$1.24 billion
Free Cash Flow*	\$425 million to \$475 million; midpoint of \$450 million	✓ \$475 million
Annual TSR	Expectation of alignment with relevant indices	✓ XPO + GXO: 41% <sup>(2)</sup> Dow Jones US Transportation Average: 33% S&P 400 MidCap: 25%
Strategic Initiatives	Successful spin-off of logistics business	✓ Completed August 2, 2021

(1) 2021 pro forma targets above reflect updated guidance provided on November 2, 2021; initial pro forma guidance for 2021 adjusted EBITDA of \$1.195 billion to \$1.235 billion and free cash flow of \$400 million to \$450 million was provided on July 28, 2021.

(2) The combined TSR of XPO and GXO of 41% reflects the aggregate increase of the trading prices of XPO common stock and GXO common stock as of the last trading day of calendar year 2021, as measured against the trading price of XPO common stock on an unadjusted basis as of the last trading day of calendar year 2020. This calculation assumes one-year TSR (excluding dividend reinvestment) of XPO and GXO of 12% and 44%, respectively.

\* See Annex A for reconciliations of non-GAAP measures

## Assessment of Individual Performance and Contributions In 2021

The chart below summarizes key 2021 achievements of each of our continuing NEOs, as considered by the Committee in their deliberations on executive compensation outcomes. Mr. Cooper and Mr. Wyshner are excluded, due to their departures from the company during 2021.

HIGHLIGHTED 2021 ACHIEVEMENTS OF THE CEO		
<b>1</b>	<b>SPIN-OFF OF GXO</b>	<p>Mr. Jacobs led the company through the transformative spin-off of XPO’s logistics segment in August 2021:</p> <ul style="list-style-type: none"> <li>■ GXO was the highest performing fully distributed US spin-off of 2021, based on the initial trading prices of stock of companies that were spun off in 2021 and closing prices for such companies on December 31, 2021.</li> </ul>
<b>2</b>	<b>CONTINUED STRONG FINANCIAL RESULTS</b>	<p>Under Mr. Jacobs’ leadership, XPO achieved better-than expected financial results in key metrics as a freight transportation company, including record profitable growth (data excludes the logistics segment for the full year):</p> <ul style="list-style-type: none"> <li>■ 2021 revenue of \$12.8 billion, a company record and 26% year-over-year growth</li> <li>■ 2021 net income from continuing operations attributable to common shareholders of \$323 million, an improvement of \$364 million from a net loss from continuing operations attributable to common shareholders of \$41 million in 2020</li> <li>■ Year-over-year growth in adjusted EBITDA* of 46%, to \$1.239 billion, also a company record</li> <li>■ Strong net cash provided by operating activities from continuing operations of \$656 million in 2021, an improvement of \$268 million from 2020</li> <li>■ Robust free cash flow* generation of \$475 million, up \$207 million year-over-year</li> <li>■ One-year, three-year and five-year TSR of 14% (41% inclusive of GXO gains), 138%, and 214%, respectively</li> </ul> <p>* See Annex A for reconciliations of non-GAAP measures</p>
<b>3</b>	<b>LEADERSHIP OF THE COMPANY</b>	<p>Under Mr. Jacobs’ leadership, XPO continued its ascent as a technology-driven transportation leader with a people-first culture:</p> <ul style="list-style-type: none"> <li>■ Newsweek named XPO one of “America’s Most Responsible Companies” for 2021</li> <li>■ XPO was named a leader in the Gartner “Magic Quadrant” for the sixth time, including worldwide and North American recognition</li> <li>■ The company has demonstrated a rigorous commitment to employee safety and well-being throughout the pandemic and continues to do so</li> <li>■ XPO was No. 190 on the Fortune 500 List</li> </ul>
<b>4</b>	<b>EMPLOYEE ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>■ Mr. Jacobs conducted quarterly employee engagement surveys, which are sent to approximately 18,000 employees across our global workforce</li> <li>■ Through these surveys, he solicits feedback on employee satisfaction and encourages employees to voice their ideas for improving the company</li> <li>■ Employee satisfaction ratings and the percentage of satisfied employees remained high throughout 2021, including a companywide self-reported job satisfaction rating of 7.56 out of 10 in the fourth quarter survey</li> <li>■ 40% of employees rated their job satisfaction a 9 or a 10</li> <li>■ Mr. Jacobs continues to hold live town halls with employees to provide clarity on our company’s strategic decisions and answer questions</li> <li>■ Mr. Jacobs continued to lead our company in several charitable endeavors, including XPO’s partnership with the Susan G. Komen Foundation as official transportation provider for the 3-Day Walks to fight breast cancer, sponsorship support of Truckers Against Trafficking and a companywide drive benefitting Soles4Souls to donate shoes to those in need, among others</li> </ul>
<b>5</b>	<b>BOARD ENGAGEMENT</b>	<ul style="list-style-type: none"> <li>■ Throughout 2021, Mr. Jacobs engaged Board members in internal business reviews and discussions, enabling real-time interaction and feedback</li> <li>■ Directors were deeply involved in discussions surrounding the spin-off of GXO, having authorized the plan in December 2020 and approved the transaction in July 2021</li> <li>■ Directors engage regularly in discussions with Mr. Jacobs and members of his leadership team on strategy, as well as immediate issues that may affect the business</li> </ul>



## HIGHLIGHTED 2021 ACHIEVEMENTS OF OTHER NEOs

**MARIO HARIK**  
**Chief Information Officer and**  
**Acting President,**  
**LTL — North America**

- Managed a team of more than 900 technology professionals and one of the largest technology budgets in the industry
  - Was named acting president for the LTL business in October 2021 and immediately began leading the company's five-point plan to enhance LTL efficiency and growth:
    - Executed tactical actions to increase network efficiency while regaining high service levels
    - Led company-specific initiatives that support growth in national network capacity, including investments in new LTL terminal openings and doors
    - Engaged deeply with employees through field visits and the implementation of an extensive communications plan to provide regular updates to employees regarding ongoing initiatives
  - Led the continued development of XPO Connect<sup>®</sup>, our cloud-based, digital brokerage platform with fully automated features and self-learning capabilities for transportation transactions.
- Highlights of the industry's rapid adoption of XPO Connect<sup>®</sup> in 2021 include:
- Over 600,000 cumulative downloads of the platform's mobile app for truck drivers by year-end 2021, more than doubling the count in 12 months
  - In the fourth quarter of 2021, XPO Connect<sup>®</sup> had a 74% year-over-year increase in weekly average carrier users, reflecting a significant increase in truckload carrier capacity available digitally to XPO customers
  - Rapid adoption of XPO Connect<sup>®</sup> capabilities were seamlessly adopted into the company's last mile business
  - XPO Connect<sup>®</sup> implementations expanded in the company's European operations
  - Continued to oversee XPO's robust cybersecurity infrastructure, which successfully blocked approximately 400 million threats to our operations during 2021

**RAVI TULSYAN**  
**Chief Financial Officer**

- Kept XPO on target to generate significant free cash flow\* of \$475 million in 2021
- Helped lead the company through the highly successful spin-off of GXO in August 2021
- Led an \$800 million debt offering for GXO
- Led efforts to pay down approximately \$3 billion of debt in 2021
- Kept the company on track for balance sheet deleveraging toward a targeted net debt leverage ratio\*\* of 1x to 2x by the first half of 2023
- Actively managed the company's real estate portfolio
- Led procurement efforts, resulting in increased savings
- Continued to optimize the company's financial operations by upgrading processes and further expanding XPO's finance shared-services model

\* See Annex A for reconciliations of non-GAAP measures

\*\* Net debt leverage ratio is calculated as total debt less cash and cash equivalents divided by adjusted EBITDA for the trailing twelve months.

## LONG-TERM INCENTIVES

XPO's incentive compensation is weighted heavily toward long-term incentives that are tied to ambitious goals for key operational indicators. The Committee's pay-for-performance philosophy is focused on rewarding our NEOs for performance that creates substantial, long-term value for our stockholders; long-term incentive awards for our chief executive officer and chief information officer have been fully performance-based since 2014. Awards have been tied closely to the company's long-term results and outstanding long-term incentive awards do not have overlapping payouts. With the appointment of Ravi Tulsyan as chief financial officer in September 2021, the post-spin-off Committee provided a structured total reward package that includes a long-term incentive award grant based on the same performance metrics as other NEOs who participate in the 2020 LTI Award, issued in performance-based equity, as well as a separate time-based equity award.

### 2021 LTI Grants

None of our NEOs received LTI grants in 2021, except for Mr. Tulsyan, who received equity grants upon his appointment as chief financial officer in September 2021, consisting of a PSU award and a time-based restricted stock unit award, representing a total annualized mix of 57% performance-based and 43% time-based equity. Mr. Tulsyan's PSU award was granted by the Committee with the same performance goals that apply to the 2020 LTI Awards, in consideration of stockholder feedback that indicated a preference for equity-based constructs. Mr. Tulsyan's PSU award includes the three performance periods remaining at the time of Mr. Tulsyan's appointment (2021, 2022 and 2023). The 2021 performance period is prorated for his appointment time during 2021, and the PSU award, to the extent earned, cliff vests on December 31, 2024.

### Long-Term Award Recalibration Following the GXO Spin-off in August 2021

In connection with the spin-off of GXO in August 2021 and to demonstrate responsiveness to feedback received from stockholders during our engagement sessions in the spring of 2021, the Committee elected to modify the operational performance and market goals included in all three outstanding awards in order that, in the case of the 2018 PSU Awards and 2019 PSU Awards, such goals would continue to represent high-growth stretch goals as originally contemplated in the award structures and, in the case of the

2020 LTI Awards, the rigor of the targets would be strengthened. These modifications better reflect our business expectations and financial targets following the spin-off of GXO. The Committee used an adjustment methodology consistent with market practice, and, for the 2018 and 2019 PSUs, is in line with the requirement of the Omnibus Plan for the Committee to make equitable adjustments.

### **Forward-Looking Perspective: Long-Term Incentive Revisions Following Announcements of LTL Improvement Efforts and Planned Transactions**

The Committee has taken the view that our executive officers should demonstrate their commitment to stockholders to secure a 100-basis-point improvement in LTL's adjusted operating ratio as compared to the prior year and meet an adjusted EBITDA target of at least \$1 billion (with a maximum of \$50 million attributable to gains on sales of real estate) for full year 2022, while also executing a successful spin-off of our tech-enabled brokered services platform no later than December 31, 2022. These actions are aimed at driving exceptional value for our stockholders by increasing the potential for the stock of each separate company to trade at greater multiples of EBITDA than they do today, as a consolidated enterprise.

In light of these 2022 strategic priorities, and to keep the interests of our executives consistently aligned with those of our stockholders, in the first quarter of 2022, the Committee made adjustments to the 2020 LTI Award for each of Mr. Jacobs and Mr. Harik. The Committee cancelled a portion of the target cash value of the previously granted 2020 LTI Award for Mr. Jacobs and Mr. Harik, and reallocated these designated cash values to LTL Performance Stock Units with the same corresponding grant date values.

The cancelled portion of each 2020 LTI Award has a target cash value of \$5 million for Mr. Jacobs and \$2.25 million for Mr. Harik, and corresponds to 50% of the target cash opportunity for the third performance year (2022) for Mr. Jacobs and 100% of the target cash opportunity for the third performance year (2022) for Mr. Harik. The LTL Performance Stock Units generally align to the officers' 2020 LTI Award framework, with a target grant date value aligning to the value of the cancelled portion of the 2020 LTI Award, preservation of a sliding scale for ultimate payout (0% for below-target performance and 200% cap for maximum performance level), and the time-based vesting condition requiring continued service through December 31, 2023 or an earlier qualifying termination of service.

The LTL Performance Stock Units consist of a gating performance goal and certain financial performance goals relating to targets for the LTL business for full year 2022. The gating performance goal requires completion of the planned separation of the company's tech-enabled brokered services platform from its LTL business by December 31, 2022 as a condition to any portion of the LTL Performance Stock Units becoming vested, with the result that, if the planned separation is not completed by December 31, 2022, each LTL Performance Stock Unit will be forfeited in its entirety. The financial performance goals are weighted equally and require a 100-basis-point improvement in LTL adjusted operating ratio and adjusted EBITDA of at least \$1 billion (with a maximum of \$50 million attributable to gains on sales of real estate) for full year 2022 to earn target value, with a payout opportunity of between 0% (for performance below the threshold level specified above) and 200% of target (for LTL adjusted operating ratio improvement of 200-basis-points or more and LTL adjusted EBITDA of \$1.05 billion or more, respectively), and linear interpolation of payouts between the threshold and maximum levels.

In addition, in consideration of his leadership of the LTL business as acting president, Mr. Harik was granted incremental LTL Performance Stock Units with a grant date value of approximately \$3.25 million. The incremental award for Mr. Harik is designed to encourage an "all-in" mindset aimed at achieving these goals, and requires continued service through the third anniversary of the grant date, or an earlier qualifying termination of service.

## Historical Overview: Currently Outstanding Long-Term Awards

XPO's performance-based long-term incentive program is designed to align NEO performance with the interests of our stockholders and incentivize achievement of sustained long-term value. The Committee takes the view that long-term awards should incorporate ambitious strategic goals that drive optimal levels of performance. Highlights of our currently outstanding long-term awards are as follows:

2018 PSU AWARD 2019 – 2022	2019 PSU AWARD 2019 – 2024
<ul style="list-style-type: none"><li>■ As modified, dual-conditioned performance goals require achievement of <i>both</i> a \$114.08 stock price and \$9.25 adjusted cash flow per share by year-end 2022 to earn any payout</li><li>■ As required under the Omnibus Plan, performance goals are restated to replicate the same level of high growth that was originally contemplated for the remaining XPO transportation business post-spin-off</li><li>■ If earned, the award would represent extraordinary stockholder value creation</li><li>■ CFO Ravi Tulsyan is not included in this grant</li></ul>	<ul style="list-style-type: none"><li>■ As modified, dual-conditioned performance goals require achievement of both relative TSR (outperformance of at least 310 percentage points relative to the S&amp;P Transportation Select Industry index) and at least \$2.54 adjusted EPS by year-end 2024 to earn any payout<sup>(1)</sup></li><li>■ As required under the Omnibus Plan, performance goals are restated to replicate the same level of high growth that was originally contemplated for the remaining XPO transportation business post-spin-off</li><li>■ Six-year performance period</li><li>■ CFO Ravi Tulsyan is not included in this grant</li></ul> <p><small>(1) Adjusted EPS of \$2.54 represents a CAGR of 19% relative to 2018 adjusted EPS.</small></p>
2020 LTI AWARD 2020 – 2026	
<ul style="list-style-type: none"><li>■ Three weighted performance goals, including an absolute and relative metric, as well as an ESG scorecard</li><li>■ Sliding scale achievement between 100% and 200%, with no payout below target</li><li>■ Four successive annual performance periods, two of which (2020 and 2021) are completed</li><li>■ Four tranches vesting at different dates through 2026 (if earned), designed to avoid overlapping payouts with other outstanding awards</li><li>■ Performance goals are restated as further described below, to reflect the new baseline of the revised 2021 budget which projects upward targets for the remaining business and results in higher forecasted growth for the performance periods of 2022 and 2023. The adjustments adhered to a formulated methodology, increased the rigor of the target goals and reflect XPO's post-spin-off business</li><li>■ CFO Ravi Tulsyan is not included in the 2020 LTI Awards. In consideration of stockholder feedback expressing a preference for equity-based awards, the Committee issued a new grant in equity for Mr. Tulsyan upon his appointment as chief financial officer, described in more detail in "2021 LTI Grants."</li></ul>	

### Note:

Outstanding awards do not have overlapping settlements; the settlements for the 2018 PSU Awards and 2019 PSU Awards, if earned, would occur within the first quarter of the years 2023 and 2025, respectively, with no settlements scheduled in these years for the 2020 LTI Award. Additionally, all references to adjusted EPS refer to adjusted diluted EPS, unless otherwise noted, and are calculated in accordance with the applicable PSU award agreement. As applicable, and as required under the Omnibus Plan for the 2018 PSU Awards and 2019 PSU Awards, performance metrics were modified to reflect the impact of the GXO spin-off.

## 2020 LTI Awards – Background

The 2020 LTI Award was granted to each of Mr. Jacobs, Mr. Cooper and Mr. Harik in connection with the execution of new, four-year employment agreements, as their previous employment agreements expired in February 2020. Mr. Tulsyan did not receive the 2020 LTI Award. Mr. Wyshner was granted performance-based restricted stock units and time-based restricted stock units upon his hire on March 2, 2020, and did not receive the 2020 LTI Award.

The structure of the 2020 LTI Award incorporates stockholder feedback received in prior years. As originally constructed, the target value for each tranche is \$10 million, \$3.35 million and \$2.25 million for Mr. Jacobs, Mr. Cooper and Mr. Harik, respectively, except for 2022 which has a target value of \$5 million for Mr. Jacobs and \$0 for Mr. Harik, as discussed in further detail above in “Forward-Looking Perspective: Long-Term Incentive Revisions Following Announcements of LTL Improvement Efforts and Planned Transactions.” The Committee denominated the 2020 LTI Award in cash due to the macroeconomic uncertainty and stock volatility at the time of the grant, which could potentially lead to an outsized return in the event of a strong recovery from the pandemic.

The 2020 LTI Awards are fully performance-based and include four tranches vesting through January 2026. To earn the award, the executives must attain and maintain performance levels for the annual performance periods of 2020, 2021, 2022 and 2023, with additional vesting periods (if the award is earned) of up to two years following the end of the 2022 and 2023 performance periods. Each tranche may be earned at a level ranging from zero to 200% of target value, depending on the degree of achievement of goals tied to both absolute and relative adjusted cash flow per share and ESG performance. If a goal for a given tranche is not achieved, the portion of the award associated with that goal is forfeited (that is, the forfeited portion cannot be carried forward and earned in a future year). Awards are based on rigorous performance targets, with no payouts for below-target performance.

The award structure contains three performance metrics for each performance year: absolute adjusted cash flow per share, relative growth in adjusted cash flow per share (as compared to a defined peer group in the transportation industry), and ESG scorecard deliverables. The adjusted cash flow per share performance metrics for 2021, 2022 and 2023 were modified to reflect the impact of the GXO spin-off. The ESG scorecard goals were reviewed and goals impacted by the spin-off were identified and modified to reflect our business expectations and financial targets following the spin-off of GXO. The adjusted cash flow per share modifications incorporated the new baseline of the 2021 budget which is inclusive of upwardly revised targets for the remaining business and results in higher forecasted growth for the performance periods of 2022 and 2023, increasing the rigor of the targets. All adjustments adhered to a formulated methodology and reflect XPO’s post-spin-off business profile.

## 2020 LTI Award Outcomes – Second Performance Period

The second performance period (2021) of the 2020 LTI Award was completed on December 31, 2021 and resulted in a payout level of 175% of target. The 2021 payout level resulted from the three weighted performance goals as follows: absolute adjusted cash flow per share (200% earned at 50% weighting); relative growth in adjusted cash flow per share (200% earned at 25% weighting); and the ESG scorecard (100% earned at 25% weighting). The Committee certified performance achievements in March 2022. The earned amounts for Mr. Jacobs, Mr. Cooper and Mr. Harik are shown on the following table:

2020 LTI AWARD ACHIEVEMENT FOR PERFORMANCE YEAR 2021		
NEO	Target Value at 100%	Actual Value Earned at 175%
Brad Jacobs	\$10,000,000	\$17,500,000
Troy Cooper <sup>(1)</sup>	\$3,350,000	\$5,798,253
Mario Harik	\$2,250,000	\$3,937,500

<sup>(1)</sup> Mr. Cooper’s earned value was prorated to reflect his December 27, 2021 separation date

The following tables detail the 2021 performance period achievement for each of the performance metrics and the associated payout scales.

## 2020 LTI Award Outcome by Metric – Second Performance Period (2021) (175% Aggregated Payout)

Absolute Adjusted Cash Flow Per Share

50% weighting;  
Linear interpolation;  
Targets adjusted to reflect impact of  
GXO spin-off

- Calculated as adjusted EBITDA (determined in accordance with the company's monthly operating reports and financial data produced for external reporting purposes, and adjusted for the impact of stock and long-term cash-based compensation) less gross capital expenditures and net interest; divided by diluted shares outstanding, provided that the Committee may, in its discretion, adjust the number of diluted shares outstanding to neutralize the impact of changes in capital structure (including stock splits, reverse stock splits or stock dividends)

- Actual achievement in adjusted cash flow per share for 2021 was significantly above the target of \$4.51, resulting in earned payout at 200%**

	Absolute Adjusted Cash Flow per Share		2021 Outcome
	2021 Target	Value Earned	
Upside	\$5.41 (120%)	200%	Achieved
	\$4.96 (110%)	150%	
Target	\$4.51 (Target)	100%	
Below Target	Below \$4.51	0%	

Relative Growth in Adjusted Cash Flow Per Share

25% weighting;  
Linear interpolation;  
Full year 2021 measurement period

- Calculated as the percentile rank of the company's growth in adjusted cash flow per share relative to the growth in adjusted cash flow per share of the companies in the peer group, as compared to each of their own full year 2020 adjusted cash flow per share outcome
- Growth, with respect to the 2021 performance period, refers to the percent change between the adjusted cash flow per share for 2021 and 2020 for XPO, and for each company in the peer group

- Actual achievement relative to the peer group was above the 75<sup>th</sup> percentile rank for 2021, resulting in earned payout at 200%**

	Relative Growth in Adjusted Cash Flow per Share		2021 Outcome
	Percentile Rank	Value Earned	
Upside	>=75th	200%	Achieved
	65th	150%	
Target	55th	100%	
Below Target	<55th	0%	

ESG Scorecard

25% weighting;  
Full year 2021 measurement period

- Calculated as the aggregate outcome of 43 equally-weighted initiatives for 2021, with each initiative worth a rounded value of 2.3 points (initiatives add up to 100 points)

- Actual achievement of 81.8 out of 100 points resulted in earned payout at 100%**

	ESG Scorecard		2021 Outcome
	ESG Scorecard Grade	Value Earned	
Upside	90-100	200%	81.8 points
	85-89	150%	
Target	80-84	100%	
Below Target	<80	0%	

## 2020 LTI Award Structure and Design

### Impact of the Spin-Off of GXO

Below are the details of the three metrics underlying the 2020 LTI Award, chosen by the Committee for their alignment of performance with value creation over time.

In light of the spin-off of GXO, the Committee reviewed the 2020 LTI Award structure to recalibrate its targets, so that they reflect the remaining company's strategy and financial metrics on a post-separation basis, including the initiatives that underlie the ESG scorecard goals.

2021 LTI AWARD PERFORMANCE METRICS																			
METRIC / WEIGHT	HIGHLIGHTS	RATIONALE FOR METRIC																	
<b>ABSOLUTE ADJUSTED CASH FLOW PER SHARE</b> <b>50% WEIGHTING</b>	<ul style="list-style-type: none"> <li>Target payout requires absolute adjusted cash flow per share of at least \$5.95 by 2023, while maximum payout requires achievement of at least \$7.14 per share by 2023</li> <li>Consistent with market practice of incorporating an operational goal</li> <li>Intended to incentivize compounded growth over the three annual periods following 2020</li> </ul>	<ul style="list-style-type: none"> <li>This metric measures the company's effectiveness in using disciplined capital allocation to drive growth; it is intended to represent organic EBITDA growth over an extended period of time</li> <li>The calculation subtracts capital expenditures from adjusted EBITDA to mitigate the possibility of artificially or temporarily inflating adjusted EBITDA by increasing capital investments</li> <li>This metric is also responsive to acquisitions and divestitures: an acquisition would be expected to increase adjusted EBITDA, and increase either interest expense or share count or both, thereby mitigating the benefit of inorganic growth; a divestiture would be expected to reduce adjusted EBITDA, with the proceeds enabling the paydown of some or all debt, a reduction of interest expense, or a share buy-back program, thereby mitigating the impact of the reduction in adjusted EBITDA</li> <li>In a stock buyback scenario, share count would decrease but interest expense would likely rise, thereby lowering adjusted cash flow and creating some offset</li> <li>The absolute targets were recalibrated to: (1) reflect XPO's post-spinoff business profile, and (2) increase the rigor of the goals. Original year-over-year growth rates for 2022 and 2023 were then applied to this higher baseline to generate the recalibrated target for the remaining years. For example, the original target of \$6.93 for 2022 was raised to \$9.26 for the combined pre-spin-off company, yielding a post-spin-off recalibrated 2022 target of \$5.35 for the remaining XPO transportation businesses following the GXO spin-off.</li> </ul>	<b>Performance Period Targets</b> <i>(Reflects recalibrated targets for the remaining XPO transportation businesses, following the GXO spin-off)</i>																
			<table border="1"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>\$3.04</td> <td>\$4.51</td> <td>\$5.35</td> <td>\$5.95</td> </tr> </tbody> </table>	2020	2021	2022	2023	\$3.04	\$4.51	\$5.35	\$5.95								
			2020	2021	2022	2023													
			\$3.04	\$4.51	\$5.35	\$5.95													
<i>Note: 2020 based on second-half results, due to timing of the grant</i>																			
<b>GROWTH IN ADJUSTED CASH FLOW PER SHARE RELATIVE TO PEERS</b> <b>25% WEIGHTING</b>	<ul style="list-style-type: none"> <li>Target payouts require above-median performance (at least the 55th percentile), while maximum payouts require performance in at least the 75th percentile</li> </ul>	<ul style="list-style-type: none"> <li>This metric measures the company's success in growing cash flow per share faster than peers by comparing XPO's performance to an industry peer group (private companies were excluded due to limited data availability); there is zero payout for any ranking below eight in any of the four years within the performance period</li> <li>The peer group is comprised of 15 publicly traded companies that have a similar business profile to XPO based on a financial analysis by service lines, geographic footprint and asset composition; they are:</li> </ul>	<table border="1"> <tbody> <tr> <td>ArcBest Corporation</td> <td>J.B. Hunt Transport Services, Inc.</td> <td>Saia, Inc.</td> </tr> <tr> <td>C.H. Robinson Worldwide, Inc.</td> <td>Knight-Swift Transportation</td> <td>Schneider National</td> </tr> <tr> <td>Expeditors International of Washington, Inc.</td> <td>Landstar System, Inc.</td> <td>Werner Enterprises, Inc.</td> </tr> <tr> <td>FedEx Corporation</td> <td>Old Dominion Freight Line, Inc.</td> <td>United Parcel Service, Inc.</td> </tr> <tr> <td>Hub Group, Inc.</td> <td>Ryder System, Inc.</td> <td>Yellow Corporation</td> </tr> </tbody> </table>		ArcBest Corporation	J.B. Hunt Transport Services, Inc.	Saia, Inc.	C.H. Robinson Worldwide, Inc.	Knight-Swift Transportation	Schneider National	Expeditors International of Washington, Inc.	Landstar System, Inc.	Werner Enterprises, Inc.	FedEx Corporation	Old Dominion Freight Line, Inc.	United Parcel Service, Inc.	Hub Group, Inc.	Ryder System, Inc.	Yellow Corporation
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Hub Group, Inc.	Ryder System, Inc.	Yellow Corporation																	
<i>Note: Original comparator peers Echo Global Logistics (ECHO), DSV Panalpina (DSV-DK) and Kuehne &amp; Nagel International AG (KNIN-CH) are excluded from evaluation either as a result of ceasing to be an independent, publicly traded company or due to a material change to the composition of their business profile; Schneider National and Knight-Swift Transportation have been added as peers for evaluation</i>																			
<b>ESG SCORECARD ACHIEVEMENTS</b> <b>25% WEIGHTING</b>	<ul style="list-style-type: none"> <li>On average, each tranche has 41 annual and multi-year goals aligned to categories in our materiality matrix</li> <li>Approximately 80% of the ESG initiatives in the scorecard are quantitative, and the non-quantitative measures must meet pre-determined hurdles or binary milestones</li> </ul>	<ul style="list-style-type: none"> <li>The ESG scorecard measures the company's success in achieving goals across six categories: workforce and talent; employee and community safety; diversity, equity and inclusion; information security; environment and sustainability; and governance</li> <li>This metric is responsive to stockholder requests that ESG goals factor into executive compensation to demonstrate the company's commitment to ESG as part of our long-term strategy</li> <li>Following the GXO spin-off, the ESG scorecard goals were reviewed and goals impacted by the spin-off were identified in discussion with business unit leaders. The Committee reviewed and modified materially impacted goals to reflect the business expectations and financial targets of our remaining business. The revisions represent (i) restatement of enterprise goals to reflect targets for our remaining business segments; (ii) removal of original goals that were only relevant to the logistics segment; and (iii) addition of several targets that are specific to our remaining business and focus as a pure-play transportation company.</li> </ul>																	

## ESG Scorecard Overview

Our ESG scorecard is designed to provide a progressive means of evaluating the management of ESG initiatives and incentivizing long-term, successive ESG achievements. The company commissioned a management consultant to conduct a gap analysis relative to our core peer group, so that we could better understand the optimal ESG tracking methods and disclosures. Using these insights, management identified the most relevant initiatives as the basis for measurable ESG improvements over four years, taking into account lead time requirements, category weighting and target variances. The Committee agreed with the inputs from management and incorporated these recommendations into the scorecard.

The ESG scorecard was recalibrated after the spin-off of GXO, and continues to reflect rigorous goals that build toward long-term achievement, with the majority of targets reflecting progressively higher achievement through 2023. Initiatives are 87% quantitative, with the remainder subject to predetermined hurdles or binary milestones.

The resulting scorecard initiatives encompass a range of material issues at the corporate and business unit levels in our Sustainability Report materiality matrix. The ESG scorecard metrics are a combination of annual and multi-year goals that span the total performance cycle of the award, with many building to full achievement at the end of the four-year period. The Committee uses the scorecard to objectively assess performance, and the company uses it to monitor ESG progress.

Our ESG scorecard is organized into six categories, with an average of approximately 41 initiatives per year, and with each initiative weighted equally within the year.

ESG Category	Current and Outstanding Performance Periods <sup>(1)</sup>		
	2021	2022	2023
	<i>Weighting of ESG category within each performance period<sup>(2)</sup></i>		
Workforce and talent	18.2%	19.5%	21.6%
Employee and community safety	27.3%	26.8%	21.6%
Diversity, equity and inclusion	20.5%	17.1%	18.9%
Information security	11.4%	12.2%	13.5%
Environment and sustainability	18.2%	19.5%	16.2%
Governance	4.5%	4.9%	8.1%
<b>(A) Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(B) Total # of Initiatives</b>	<b>44</b>	<b>41</b>	<b>37</b>
<b># of Points Awarded Per Initiative (A/B)<sup>(2)</sup></b>	<b>2.3</b>	<b>2.4</b>	<b>2.7</b>

<sup>(1)</sup> The 2020 performance period is not reflected

<sup>(2)</sup> May reflect rounded values

## ESG Scorecard Structure and Content Summary

The following tables use examples to provide a summary of our ESG scorecard methodology. The tables do not reflect the full set of targets for each performance period.

ESG SCORECARD SUMMARY	
ACHIEVEMENT METHODOLOGY	PRINCIPLES
<ul style="list-style-type: none"> <li>■ Achievement is certified by the Committee annually using a scale of 1 – 100, with each target worth a predefined equal number of points</li> <li>■ Category weighting is dependent upon the total number of targets in the category and varies by performance period, as some goals require a baseline or implementation time for achievement (i.e., increasing the hiring of women or underrepresented racial/ethnic groups)</li> <li>■ Achievement against targets is measured using a strict, predetermined calculation for each target and incorporates industry-specific measurement standards, as well as the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) standards</li> </ul>	<ul style="list-style-type: none"> <li>■ Targets are rigorous and include a combination of annual and multi-year goals that span the total performance cycle of the award, with many targets building to full achievement at the end of the four-year period</li> <li>■ Initiatives represent an overarching roadmap of deliverables for the company as a whole that align with the categories identified in the materiality matrix available in our Sustainability Report</li> <li>■ The ESG scorecard's inclusion in the long-term incentive program is indicative of the company's commitment to ensuring that we are incentivizing achievement of our sustainability goals along a sufficiently long-term time horizon</li> </ul>

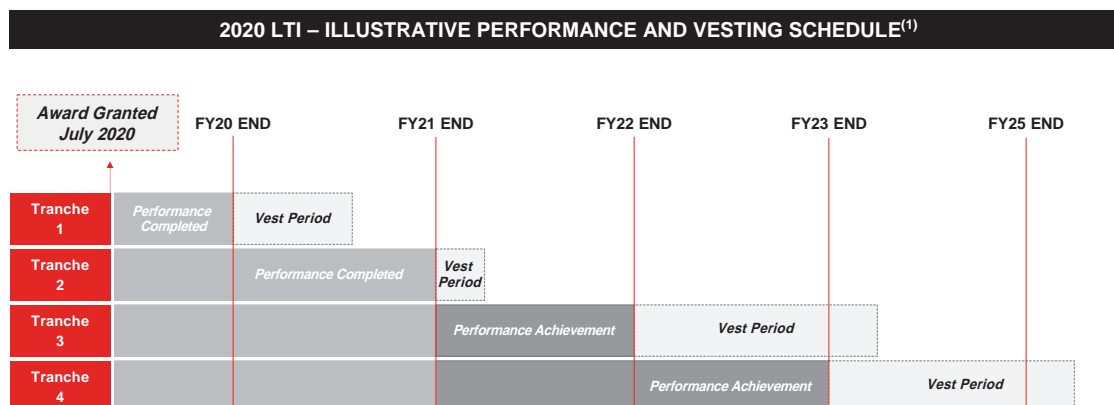
CATEGORY / WEIGHT % <sup>(1)</sup>	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS (2021-2023 were recalibrated post spin-off) <i>Year-over-year measurements reflect pro forma adjustments for the spin-off</i>								
<b>Workforce and Talent</b> 2021: 18% 2022: 20% 2023: 22%	<ul style="list-style-type: none"> <li>■ Maintain employee job satisfaction</li> <li>■ Maintain a rewarding, high-performance culture</li> </ul>	<ul style="list-style-type: none"> <li>◆ Maintain an average job satisfaction score of at least 7 out of 10 in companywide and hourly engagement surveys for each performance period</li> </ul>								
		<ul style="list-style-type: none"> <li>◆ Maintain an annualized voluntary turnover rate of no more than 10% for LTL drivers, excluding retirees, for each performance period</li> </ul>								
<b>Employee and Community Safety</b> 2021: 27% 2022: 27% 2023: 22%	<ul style="list-style-type: none"> <li>■ Provide employee health, safety and financial protection (including during the COVID-19 pandemic)</li> <li>■ Maintain a safe workplace</li> <li>■ Encourage accident and injury prevention</li> </ul>	<ul style="list-style-type: none"> <li>◆ Improve DOT-recordable preventable accident frequency in both managed transportation (MT) and LTL</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>0.65 (MT) and 0.68 (LTL) DOT-reportable preventable accidents per one million miles</td> <td>3% (MT) and 2% (LTL) improvement over prior year</td> <td>3% (MT) and 2% (LTL) improvement over prior year</td> <td>3% (MT) improvement over prior year</td> </tr> </tbody> </table>	2020	2021	2022	2023	0.65 (MT) and 0.68 (LTL) DOT-reportable preventable accidents per one million miles	3% (MT) and 2% (LTL) improvement over prior year	3% (MT) and 2% (LTL) improvement over prior year	3% (MT) improvement over prior year
		2020	2021	2022	2023					
		0.65 (MT) and 0.68 (LTL) DOT-reportable preventable accidents per one million miles	3% (MT) and 2% (LTL) improvement over prior year	3% (MT) and 2% (LTL) improvement over prior year	3% (MT) improvement over prior year					
		<ul style="list-style-type: none"> <li>◆ Improve rate of lost workdays as a proportion of hours worked in LTL</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>99 lost workdays for every 200,000 hours worked</td> <td>2% improvement over prior year</td> <td>2% improvement over prior year</td> <td>--</td> </tr> </tbody> </table>	2020	2021	2022	2023	99 lost workdays for every 200,000 hours worked	2% improvement over prior year	2% improvement over prior year	--
2020	2021	2022	2023							
99 lost workdays for every 200,000 hours worked	2% improvement over prior year	2% improvement over prior year	--							
<b>Diversity, Equity and Inclusion</b> 2021: 21% 2022: 17% 2023: 19%	<ul style="list-style-type: none"> <li>■ Attract, retain and develop a diverse and inclusive workforce</li> <li>■ Build sustained diversity, equity and inclusion functions, with impactful programs and measurable actions</li> </ul>	<ul style="list-style-type: none"> <li>◆ Increase the rate of women and underrepresented racial/ethnic groups promoted to managerial positions, with separate targets for each group</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>--</td> <td>Growth of at least 5% from 2020</td> <td>Cumulative growth of at least 10% from 2020</td> <td>Cumulative growth of at least 15% from 2020</td> </tr> </tbody> </table>	2020	2021	2022	2023	--	Growth of at least 5% from 2020	Cumulative growth of at least 10% from 2020	Cumulative growth of at least 15% from 2020
		2020	2021	2022	2023					
		--	Growth of at least 5% from 2020	Cumulative growth of at least 10% from 2020	Cumulative growth of at least 15% from 2020					
		<ul style="list-style-type: none"> <li>◆ Maintain an annualized percentage of diverse US employee hires of at least 50% (2021 and 2022 performance periods), and at least 55% (starting in the 2023 performance period)</li> </ul>								
<ul style="list-style-type: none"> <li>◆ Maintain an annualized percentage of diverse XPO Graduate Program global hires of at least 50% (2021, 2022 and 2023 performance periods)</li> </ul>										
<b>Information Security</b> 2021: 11% 2022: 12% 2023: 14%	<ul style="list-style-type: none"> <li>■ Safeguard confidential customer and employee information; protect against external threats</li> </ul>	<ul style="list-style-type: none"> <li>◆ Target a mean time to resolve (MTTR) below industry average of 1.73 days (2021 performance period)</li> </ul>								
		<ul style="list-style-type: none"> <li>◆ Perform an annual information security health check by an independent third-party and assess against benchmarks, maintaining rigorous information security at a level in the two top quartiles of the industry average for each performance period</li> </ul>								
<b>Environment and Sustainability</b> 2021: 18% 2022: 20% 2023: 16%	<ul style="list-style-type: none"> <li>■ Reduce fossil fuel dependency</li> <li>■ Reduce carbon emissions and carbon footprint</li> <li>■ Reduce nitrogen oxide emissions</li> <li>■ Reduce waste</li> </ul>	<ul style="list-style-type: none"> <li>◆ Improvement in fuel efficiency in managed transportation</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Average of at least 7 mpg by year end</td> <td>Average at least 7.5 mpg by year end</td> <td>Average 7.5 mpg or higher by year end</td> <td>Average 7.5 mpg or higher by year end</td> </tr> </tbody> </table>	2020	2021	2022	2023	Average of at least 7 mpg by year end	Average at least 7.5 mpg by year end	Average 7.5 mpg or higher by year end	Average 7.5 mpg or higher by year end
		2020	2021	2022	2023					
		Average of at least 7 mpg by year end	Average at least 7.5 mpg by year end	Average 7.5 mpg or higher by year end	Average 7.5 mpg or higher by year end					
		<ul style="list-style-type: none"> <li>◆ Reduce LTL carbon emissions by increasing the load factor rate by at least 1.5% over the prior year (2021 performance period)</li> </ul>								
<ul style="list-style-type: none"> <li>◆ Establish a European Sustainability Steering Committee (2020 performance period)*</li> </ul>										
		<p>* The mandate of the European Sustainability Steering Committee includes carbon reduction targets to reduce overall greenhouse gas emissions by 25% and reduce vehicular emissions by 10% per tkm (the transport of one tonne of goods over a distance of one kilometre), by 2030, from a 2019 baseline</p>								
<b>Governance</b> 2021: 5% 2022: 5% 2023: 8%	<ul style="list-style-type: none"> <li>■ Maintain compliance with federal, state and local laws</li> </ul>	<ul style="list-style-type: none"> <li>◆ Completion rate of at least 85% for all mandatory and assigned compliance training courses by the end of each performance period year</li> </ul>								

<sup>(1)</sup> The 2020 performance period weightings are not reflected



## Performance and Vesting Schedule

The graphic below depicts the performance and vesting schedules of the 2020 LTI Award, demonstrating that multi-year performance goals reward cumulative growth in steps over the defined time period.



<sup>(1)</sup> The award is earned in four installments and vests on the first anniversary of grant (July 31, 2021) for the first tranche and each of January 15, 2022, 2024 and 2026 for the remaining tranches.

## Sliding Scale Payout

The 2020 LTI Award features a sliding scale payout structure in place of the “all or nothing” construct used in prior long-term awards. This change was made in response to stockholder feedback that overly rigorous goals may pose a retention risk or encourage excessive risk-taking. The payout scales are formulated as shown below.

Sliding Scale	Absolute Adjusted Cash Flow Per Share <sup>(1)</sup>		Relative Growth in Adjusted Cash Flow Per Share <sup>(1)</sup>		ESG Scorecard	
	Attainment as % of target goal	Value Earned as % of target goal	Attainment Percentile rank vs. peers	Value Earned as % of target goal	ESG Scorecard Points out of 100 total points	Value Earned as % of target goal
Upside	120%	200%	≥ 75th	200%	90-100	200%
	110%	150%	65th	150%	85-89	150%
Target	100%	100%	55th	100%	80-84	100%
Below Target	< 100%	0%	< 55th	0%	< 80	0%

<sup>(1)</sup> Linear interpolation applied between attainment values

## OUR EXECUTIVE COMPENSATION GOVERNANCE FRAMEWORK

### Stock Ownership Policies

We believe that executive equity ownership in the company mitigates a number of risks, including risks related to executive attrition and undue risk-taking.

#### Guidelines

Stock ownership guidelines are expressed as a multiple of each NEO's annual base salary:

- CEO: 6x annual base salary
- Other NEOs: 3x annual base salary

Compliance with our stock ownership guidelines is generally determined using the aggregate count of shares of common stock held directly or indirectly by the NEO, plus unvested restricted stock units subject solely to time-based vesting. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions, are not counted toward meeting stock ownership guidelines until they have settled or been exercised, as applicable.

Until the stock ownership guidelines are met, an executive is required to retain 70% of the net shares (after tax withholding) received upon settlement of equity-based awards. A newly appointed executive is required to reach his or her stock ownership guideline no later than three years from the date of appointment.

As of the most recent record date of April 14, 2022, Mr. Jacobs, Mr. Harik, and Mr. Tulsyan were in compliance with our stock ownership guidelines.

### Clawback Policy

Our NEOs who are or were party to employment agreements — Messrs. Jacobs, Harik, Cooper and Wyshner — are subject to clawback restrictions with respect to long-term and annual STI compensation. The Committee is focused on mitigating the company's risk associated with its compensation program for NEOs and believes that clawback provisions are an important tool to achieve this.

#### Long-term incentive compensation

The NEO employment agreements include a clawback provision under which the NEO may be required, upon certain triggering events, to repay all or a portion of long-term incentive compensation that was previously paid (including proceeds from previously-exercised and vested equity-based awards) and to forfeit unvested equity-based awards during the term of the employment agreements. In cases where a cure is possible, the NEO will first be provided with a 15-day period to cure. These clawback provisions are generally triggered if any of the following conditions apply; the NEO:

- Is terminated for cause, as defined in the employment agreement;
- Has engaged in fraud or other willful misconduct that contributes materially to any significant financial restatement or material loss to our company or any of our affiliates or
- Breaches the restrictive covenants that are applicable under the employment agreement.

The time period for the company to take action under this clawback provision is up to six months from the date of termination for cause and, for all other specified conditions, at any time up to six months after learning of the conduct but in no event more than two years after the NEO engages in such conduct.

#### Annual STI compensation

In addition, the NEO employment agreements provide that if a NEO has engaged in fraud or other willful misconduct that contributes materially to any financial restatement or material loss to the company or any of its affiliates, the company may: (i) require repayment by the NEO of any cash STI or annual STI previously paid, net of any taxes paid by the NEO on such STI; (ii) cancel any earned but unpaid cash STI or annual STI; and/or (iii) adjust the NEO's future compensation in order to recover an appropriate amount with respect to the restated financial results or the material loss.

#### Additional provision

To the extent that the rules adopted by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act are broader than the clawback provisions contained in our NEO employment agreements, and to the extent the company is required to implement a clawback policy pursuant to applicable law, the NEOs will each be subject to additional clawback provisions pursuant to such rules as described under the heading "Employment Agreements with NEOs — Clawbacks."

### **Role of the Committee**

The Committee is responsible for approving our compensation practices and overseeing our executive compensation program in a manner consistent with XPO's compensation philosophy. The Committee is tasked with: (i) reviewing the annual and long-term performance goals for our NEOs; (ii) approving awards under incentive compensation and equity-based plans; and (iii) approving all other compensation and benefits for our NEOs. The Committee acts independently but works closely with the full Board and executive management in making many of its decisions. To assist it in discharging its responsibilities, the Committee has retained the services of an independent compensation consultant, as discussed further below.

### **Role of Management**

Executive management provides input to the Committee, including with respect to the Committee's evaluation of executive compensation practices. In particular, our chief executive officer, Mr. Jacobs, provides recommendations for proposed compensation actions with respect to our executive team, but not with respect to his own compensation. The Committee carefully and independently reviews the recommendations of management without members of management present and consults its independent advisor before making final determinations. We believe this process ensures that our executive compensation program effectively aligns with XPO's compensation philosophy and stockholder interests.

### **Role of the Committee's Independent Compensation Consultant**

The Committee directly retained Exequity as its independent advisor throughout 2021. Among other things, the Committee's independent advisor consults on compensation and governance matters, monitors trends and evolving market practices in executive compensation and provides general advice and support to the Committee and the Committee's chairman. Exequity's support for the Committee in 2021 included reviewing long-term incentive awards for NEOs, providing guidance regarding the annual STI awards and reviewing the content of this Compensation Discussion and Analysis. Exequity did not provide any other services to the company.

The Committee considered the independence of Exequity in light of applicable SEC rules and NYSE listing standards. After taking into account the absence of any relationships with management and members of the Committee, as well as Exequity's internal policies and other information provided to the Committee, the Committee determined that no conflicts of interest existed that would prevent Exequity from serving as an independent compensation consultant to the Committee.

## **OTHER COMPENSATION-RELATED ITEMS**

### **Equity Granting Policy**

All equity awards to NEOs are approved by the Committee with a grant date determined at the time of approval. The Committee does not target a specific time during the year to make equity grants, but grant dates are always on the date of Committee approval.

### **Benefits**

Our NEOs are provided with the same benefits as are generally offered to other eligible employees, including participation in the XPO Logistics, Inc. 401(k) Plan and insurance benefit programs. Our NEOs receive minimal perquisites, as shown in the "All Other Compensation" table following this Compensation Discussion and Analysis.

### **Employment Agreements**

We have entered into multi-year employment agreements with certain of our NEOs, which promote long-term retention while allowing the Committee to exercise discretion in designing incentive compensation programs. The material compensation-related terms of these agreements are described under the heading "Employment Agreements with NEOs" and the tables that follow this Compensation Discussion and Analysis.

### **Separation from Employment of Mr. Wyshner and Mr. Cooper**

Following Mr. Wyshner's separation from the company on September 2, 2021, and as a result of his separation, Mr. Wyshner did not receive severance payments or benefits.

Following Mr. Cooper's mutual separation from the company on December 27, 2021, Mr. Cooper received the severance benefits required by his employment agreement in connection with termination without cause provisions, including: (i) a cash severance payment of \$650,000 and (ii) medical and dental coverage for six months. Mr. Cooper's severance benefits are detailed in the "Potential Payments Upon Termination or Change of Control" table following this Compensation Discussion and Analysis.

### **Tax Considerations**

Section 162(m) of the Internal Revenue Code of 1986 as amended (the "Code") disallows a federal income tax deduction to public companies for compensation greater than \$1 million paid in any tax year to covered executive officers.

As a general matter, while tax deductibility is one of several relevant factors considered by the Committee in determining compensation, we believe that the tax deduction limitation imposed by Section 162(m) should not compromise the company's access to compensation arrangements that will attract and retain a high level of executive talent. Accordingly, the Committee and our Board will take into consideration a multitude of factors in making executive compensation decisions and may approve executive compensation that is not tax deductible.

### **Risk Assessment of Incentive Compensation Programs**

The company, in partnership with a third-party compensation advisory group, performed an assessment for the Committee in order to determine whether there were material risks that could arise from our compensation plans and programs. This assessment included a review of material elements of non-executive and executive compensation plans for the 2021 plan year. The Committee has concluded that the company's compensation plans and programs are not reasonably likely to have a material adverse effect on the company.

### **COMPENSATION COMMITTEE REPORT**

*The following statement made by the Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.*

The Committee reviewed the Compensation Discussion and Analysis with management as required by Item 402(b) of Regulation S-K, as set forth above. Based on this review and the resulting discussions with management, the Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### **COMPENSATION COMMITTEE:**

*Johnny C. Taylor, Jr., chairman (since August 2, 2021)*

*Allison Landry, member (since August 2, 2021)*

*Mary Kissel, member (since August 2, 2021)*

## COMPENSATION TABLES

### Summary Compensation Table

We compensate our NEOs pursuant to the terms of their respective employment agreements. The information reported in the Summary Compensation Table below reflects the terms of such agreements. For more information about our NEOs' employment agreements, see the discussion in this Proxy Statement under the heading "Employment Agreements with NEOs."

The following table sets forth information concerning the total compensation awarded to, earned by, or paid to our NEOs for the year ended December 31, 2021.

Name and Principal Position	Year	Salary (\$)	Bonus <sup>(1)</sup> (\$)	Stock Awards <sup>(2)(3)</sup> (\$)	Non-Equity Incentive Plan Compensation <sup>(4)</sup> (\$)	All Other Compensation <sup>(5)</sup> (\$)	Total (\$)
<b>Brad Jacobs<sup>(6)</sup></b> <i>Chairman and Chief Executive Officer</i>	2021	\$1,000,000	—	—	\$20,625,000	\$418,280	\$22,043,280
	2020	\$1,000,000	\$3,300,000	—	\$17,500,000	\$ 12,660	\$21,812,660
	2019	\$ 838,462	—	\$7,007,415 <sup>(7)</sup>	—	\$ 12,460	\$ 7,858,337
<b>Mario Harik</b> <i>Chief Information Officer</i>	2021	\$ 500,000	\$ 100,000	—	\$ 4,914,063	\$ 12,863	\$ 5,526,925
	2020	\$ 500,000	\$1,031,250	—	\$ 3,937,500	\$ 12,660	\$ 5,481,410
	2019	\$ 467,692	—	\$1,648,799 <sup>(7)</sup>	—	\$ 12,271	\$ 2,128,762
<b>Ravi Tulsyan<sup>(8)</sup></b> <i>Chief Financial Officer</i>	2021	\$ 431,539	\$ 100,000	\$2,084,951 <sup>(9)</sup>	\$ 874,800	\$ 12,545	\$ 3,503,835
<b>Troy Cooper<sup>(10)</sup></b> <i>Former President</i>	2021	\$ 650,000	—	—	\$ 5,798,253	\$ 13,238	\$ 6,461,491
	2020	\$ 650,000	\$2,145,000	—	\$ 5,862,500	\$ 12,660	\$ 8,670,160
	2019	\$ 601,539	—	\$3,751,031 <sup>(7)</sup>	—	\$ 12,460	\$ 4,365,030
<b>David Wyshner<sup>(11)</sup></b> <i>Former Chief Financial Officer</i>	2021	\$ 437,173	—	—	—	\$ 33,775	\$ 470,948
	2020	\$ 525,096	\$1,225,000	\$3,032,212 <sup>(12)</sup>	—	\$ 1,050	\$ 4,783,358

<sup>(1)</sup> Annual cash bonus awards for 2021 are included in the column "Non-Equity Incentive Plan Compensation" and reflect formulaic annual cash bonus awards earned in respect of 2021 for Mr. Jacobs, Mr. Harik and Mr. Tulsyan. Mr. Harik and Mr. Tulsyan received an additional \$100,000 cash bonus in 2021 in consideration of their work related to the GXO spin-off. Annual cash bonus awards for 2020 reflect discretionary annual cash bonus awards earned in respect of 2020 for Mr. Jacobs, Mr. Harik, Mr. Cooper and Mr. Wyshner. No cash bonus awards were earned in respect of 2019.

<sup>(2)</sup> In order to preserve the value of the awards held by employees continuing with XPO following the spin-off, including our named executive officers, the number of outstanding shares underlying outstanding awards were adjusted using the ratio and methodology outlined in that certain Employee Matters Agreement entered into by XPO and GXO as of August 1, 2021 (the "Employee Matters Agreement"). The ratio was based on the closing price per share of XPO common stock on July 30, 2021 compared to the closing price per share of XPO common stock on August 2, 2021. The modification of these awards in connection with the spin-off did not result in incremental compensation cost.

<sup>(3)</sup> The amounts reflected in this column represent the aggregate grant date fair value of the awards made during each respective year, as computed in accordance with FASB ASC Topic 718. For additional information related to the measurement of stock-based compensation awards, see Note 15 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

<sup>(4)</sup> The amounts reflected in this column for 2021 include formulaic annual cash bonus awards earned in respect of 2021 of \$3,125,000, \$976,563 and \$781,250 for Mr. Jacobs, Mr. Harik and Mr. Tulsyan, respectively. The amounts reflected in this column for 2021 and 2020 also include a cash LTI award granted in 2020 and earned in respect of 2021 and 2020 for Mr. Jacobs, Mr. Cooper and Mr. Harik. On July 31, 2020, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik LTI awards that require achievement of an absolute adjusted cash flow per share goal, a relative growth in adjusted cash flow per share goal and a scorecard related to ESG goals. The award is earned in cash in four installments on the first anniversary of grant (July 31, 2021) and each of January 15, 2022, 2024 and 2026. The goals underlying the 2020 LTI award are subject to both performance-based and service-based conditions. The target award can be earned based on attainment of the absolute adjusted cash flow per share goals of \$3.04, \$4.51, \$5.35 and \$5.95 for each of the second half of 2020 and full year 2021, 2022 and 2023, respectively (50% of award); the relative growth in adjusted cash flow per share goal at the 55th percentile (25% of award); or achievement against goals related to ESG as outlined in a comprehensive scorecard (25% of award). The award is earned based on a sliding scale with a minimum payout of 0% and a maximum payout of 200%.

<sup>(5)</sup> The components of "All Other Compensation" for 2021 are detailed in the "All Other Compensation" table.

<sup>(6)</sup> Mr. Jacobs did not receive any additional compensation for his service as a director.

<sup>(7)</sup> In June 2019, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik PSUs that require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The goals underlying these PSUs include: (i) the compound annual growth rate of the Company's adjusted EPS during the Performance Period, measured by reference to the Company's recalibrated full year 2018 adjusted EPS of \$2.54, of at least 19%, and (ii) Company TSR during the Performance Period exceeds Comparator Group TSR during the Performance Period by a minimum of 310 percentage points. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets.

<sup>(8)</sup> Effective as of September 2, 2021, Mr. Tulsyan, deputy chief financial officer and treasurer, assumed the role of chief financial officer. Mr. Tulsyan's 2021 amounts reflect all of his compensation for the full fiscal year.

<sup>(9)</sup> The amounts for Mr. Tulsyan reflect RSU and PSU awards granted upon promotion to chief financial officer on September 2, 2021. The Committee awarded Mr. Tulsyan PSUs that require achievement of an absolute adjusted cash flow per share goal, a relative growth in adjusted cash flow per share goal and a scorecard related to ESG goals. The award is earned in equity in one installment on December 31, 2024. The goals underlying these PSUs are subject to both performance-based and service-based conditions. The target award can be earned based on attainment of the absolute adjusted cash flow per share goals of \$4.51, \$5.35 and \$5.95 for each of the pro-rated year 2021, the full year 2022 and 2023, respectively (50% of award); the relative growth in adjusted cash flow per share goal at the 55th percentile (25% of award); or achievement against goals related to ESG as outlined in a comprehensive scorecard (25% of award). The award is earned based on a sliding scale with a minimum payout of 0% and a maximum payout of 200%.

- (10) Effective as of December 27, 2021, Mr. Cooper separated from employment with the Company.
- (11) Effective as of September 2, 2021, Mr. Wyshner stepped down as chief financial officer.
- (12) The amounts for Mr. Wyshner reflect RSU and PSU awards granted upon hire on March 2, 2020. The Committee awarded Mr. Wyshner PSUs that require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The goals underlying these PSUs include: (i) the compound annual growth rate of the Company's adjusted EPS during the Performance Period, measured by reference to the Company's recalibrated full year 2018 adjusted EPS of \$2.54, of at least 19%, and (ii) Company TSR during the Performance Period exceeds Comparator Group TSR during the Performance Period by a minimum of 310 percentage points. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets. In connection with Mr. Wyshner stepping down as chief financial officer, these awards were fully forfeited.

### All Other Compensation Table

The following table sets forth the amounts included in the "All Other Compensation" column in the "Summary Compensation" table for our NEOs in 2021.

Name	Matching Contributions to 401(k) Plan <sup>(1)</sup> (\$)	Company-Paid Life Insurance Premiums <sup>(2)</sup> (\$)	Reimbursement For Filing Fees <sup>(3)</sup> (\$)	Payout of Paid Time Off <sup>(4)</sup> (\$)	Severance (\$)	Total (\$)
Brad Jacobs	\$11,600	\$1,680	\$405,000	—	—	\$418,280
Mario Harik	\$11,600	\$1,263	—	—	—	\$ 12,863
Ravi Tulsyan	\$11,600	\$ 945	—	—	—	\$ 12,545
Troy Cooper	\$11,600	\$1,638	—	—	—	\$ 13,238
David Wyshner	\$11,600	\$1,202	—	\$20,973	—	\$ 33,775

- (1) Amounts in this column represent matching contributions made by XPO to the Company's 401(k) plan. Only amounts contributed directly by our NEOs are eligible for matching contributions, and our NEOs are eligible for matching contributions on the same basis as all other eligible employees of our Company.
- (2) Amounts in this column include the Company-paid premiums for basic life insurance.
- (3) Amounts in this column reflect reimbursement of Hart-Scott-Rodino fees relating to Company securities held by Mr. Jacobs.
- (4) Amounts in this column reflect a payout of paid time off provided to Mr. Wyshner in connection with his termination of employment with the Company.

### Grants of Plan-Based Awards

The following table sets forth additional details regarding grants of equity and non-equity plan-based awards.

Name	Grant Date	Grant Type	Estimated Future Payouts Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards (\$) <sup>(3)</sup>
			Threshold (#)	Target (#) <sup>(2)</sup>	Maximum (#)		
Brad Jacobs	n/a	—	—	—	—	—	—
Mario Harik	n/a	—	—	—	—	—	—
Ravi Tulsyan	3/10/2021 <sup>(4)</sup>	RSU	—	—	—	4,702	\$334,970
	9/8/2021	RSU	—	—	—	8,773	\$750,004
	9/8/2021	PSU	—	11,697	23,394	—	\$999,977
Troy Cooper	n/a	—	—	—	—	—	—
David Wyshner	n/a	—	—	—	—	—	—

- (1) The amount for Mr. Tulsyan reflects award granted upon appointment to chief financial officer on September 2, 2021.
- (2) PSUs are reflected at the target level, which is also the threshold level. There is no threshold level of payment for below target performance and the maximum level that may be paid is 200%.
- (3) Amounts in this column reflect the grant date fair value of awards calculated in accordance with FASB ASC Topic 718, using the valuation methodology set forth in Note 15 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.
- (4) In order to preserve the value of the awards held by employees continuing with XPO following the spin-off, including our named executive officers, the number of outstanding shares underlying outstanding awards were adjusted using the ratio and methodology outlined in the Employee Matters Agreement. The ratio was based on the closing price per share of XPO common stock on July 30, 2021 compared to the closing price per share of XPO common stock on August 2, 2021. The modification of these awards in connection with the spin-off did not result in incremental compensation cost.

Additional information relevant to the awards shown in the above table (including a discussion of the applicable performance criteria and the actual payouts under such awards) is included under the heading "Outstanding Equity Awards at Fiscal Year-End".

## Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards held by our NEOs as of December 31, 2021.

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights That Have Not Vested (#) <sup>(1)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(2)</sup>
Brad Jacobs	—	—	1,174,495 <sup>(3)</sup>	\$90,941,148 <sup>(3)</sup>
Mario Harik	—	—	221,923 <sup>(4)</sup>	\$17,183,498 <sup>(4)</sup>
Ravi Tulsyan	44,245 <sup>(5)</sup>	\$3,425,890 <sup>(5)</sup>	11,697 <sup>(6)</sup>	\$ 905,699 <sup>(6)</sup>
Troy Cooper	—	—	265,300 <sup>(7)</sup>	\$20,542,179 <sup>(7)</sup>
David Wyshner	—	—	— <sup>(8)</sup>	— <sup>(8)</sup>

Note: Vesting of all outstanding equity awards is subject to continued employment by the NEO on the applicable vesting date, subject to certain exceptions in connection with a qualifying termination of employment.

<sup>(1)</sup> In order to preserve the value of the awards held by employees continuing with XPO following the spin-off, including our named executive officers, the number of outstanding shares underlying outstanding awards were adjusted using the ratio and methodology outlined in the Employee Matters Agreement. The ratio was based on the closing price per share of XPO common stock on July 30, 2021 compared to the closing price per share of XPO common stock on August 2, 2021. The modification of these awards in connection with the spin-off did not result in incremental compensation cost.

<sup>(2)</sup> The values reflected in this column were calculated using \$77.43, the closing price of a Company share on the NYSE on December 31, 2021, the last trading day of our fiscal year 2021.

<sup>(3)</sup> Consists of 393,346 PSUs which vest on December 31, 2022, and 781,149 PSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. Both goals (as described below) must be attained for the award to be earned. PSUs are reflected at the target level, which is also the maximum level. There is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The goals underlying these PSUs include: (i) achievement of an average stock price of \$114.08 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$9.25 by December 31, 2022.

b. The PSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The goals underlying these PSUs include: (i) the compound annual growth rate of the Company's adjusted EPS during the Performance Period, measured by reference to the Company's recalibrated full year 2018 adjusted EPS of \$2.54, of at least 19%, and (ii) Company TSR during the Performance Period exceeds Comparator Group TSR during the Performance Period by a minimum of 310 percentage points.

<sup>(4)</sup> Consists of 38,124 PSUs which vest on December 31, 2022, and 183,799 PSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PSUs are reflected at the target level, which is also the threshold and maximum level. Both goals (as described below) must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The goals underlying these PSUs include: (i) achievement of an average stock price of \$114.08 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$9.25 by December 31, 2022.

b. The PSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The goals underlying these PSUs include: (i) the compound annual growth rate of the Company's adjusted EPS during the Performance Period, measured by reference to the Company's recalibrated full year 2018 adjusted EPS of \$2.54, of at least 19%, and (ii) Company TSR during the Performance Period exceeds Comparator Group TSR during the Performance Period by a minimum of 310 percentage points.

<sup>(5)</sup> Consists of 13,309 RSUs which vest ratably on March 15, 2022 and 2023; 3,732 RSUs which vest ratably on January 15, 2022 and 2023; 13,729 RSUs which vest ratably on December 8, 2022 and 2023; 4,702 RSUs which vest ratably on March 10, 2022, 2023, 2024 and 2025; and 8,773 RSUs which vest ratably on September 8, 2022 and 2023.

<sup>(6)</sup> Consists of 11,697 PSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PSUs are reflected at the target level, which is also the threshold level. There is no threshold level of payment for below target performance and the maximum level that may be paid is 200%. The target award can be earned based on attainment of the absolute adjusted cash flow per share goals of \$4.51, \$5.35 and \$5.95 for each of the pro-rated year 2021, the full year 2022 and 2023, respectively (50% of award); the relative growth in adjusted cash flow per share goal at the 55th percentile (25% of award); or achievement against goals related to ESG as outlined in a comprehensive scorecard (25% of award). The award is earned based on a sliding scale with a minimum payout of 0% and a maximum payout of 200%.

<sup>(7)</sup> Consists of 56,991 PSUs which remain eligible to vest on December 31, 2022, and 208,309 PSUs which remain eligible to vest on December 31, 2024 subject to achievement of certain performance criteria. PSUs are reflected at the target level, which is also the threshold and maximum level. Both goals (as described below) must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The goals underlying these PSUs include: (i) achievement of an average stock price of \$114.08 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$9.25 by December 31, 2022.

b. The PSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The goals underlying these PSUs include: (i) the compound annual growth rate of the Company's adjusted EPS during the Performance Period, measured by reference to the Company's recalibrated full year 2018 adjusted EPS of \$2.54, of at least 19%, and (ii) Company TSR during the Performance Period exceeds Comparator Group TSR during the Performance Period by a minimum of 310 percentage points.

<sup>(8)</sup> In connection with Mr. Wyshner's stepping down as chief financial officer, the awards described in footnote 12 of the Summary Compensation Table were forfeited.

### Option Exercises and Stock Vested

The following table sets forth the options exercised and stock vested for our NEOs during 2021.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
Brad Jacobs	—	—	—	—
Mario Harik	—	—	—	—
Ravi Tulsyan	—	—	5,889	\$ 735,284
Troy Cooper	—	—	—	—
David Wyshner	—	—	8,773	\$1,051,356

<sup>(1)</sup> The values reflected in this column were calculated by multiplying the number of shares that vested in 2021 by the closing price of one share of XPO common stock on the NYSE on each applicable vesting or settlement date.



## Potential Payments Upon Termination or Change of Control

The following table sets forth the amounts of compensation that would be due to Messrs. Jacobs, Harik, Tulsyan, Cooper and Wyshner pursuant to their respective employment agreements (or in the case of Mr. Tulsyan, pursuant to his Change in Control and Severance Agreement), as applicable, upon the termination events as summarized below, as if each such event had occurred on December 31, 2021. The amounts shown below are estimates of the payments that each NEO would receive in certain instances. The actual amounts payable will only be determined upon the actual occurrence of any such event. For Mr. Cooper and Mr. Wyshner, the following table sets forth the amounts of compensation that were due in connection with their actual separations of employment.

	Brad Jacobs	Mario Harik	Ravi Tulsyan	Troy Cooper <sup>(1)</sup>	David Wyshner <sup>(2)</sup>
<b>Termination without Cause:</b>					
Cash severance <sup>(3)(4)(5)</sup>	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ 1,950,000 <sup>(6)</sup>	—
Acceleration of equity-based awards <sup>(7)(8)</sup>	\$ 53,090,034	\$ 9,330,315	\$ 884,947	—	—
Outstanding performance-based equity awards <sup>(9)</sup>	—	—	—	\$20,324,633	—
Acceleration of 2020 LTI <sup>(10)</sup>	\$ 10,000,000	\$ 2,250,000	—	\$ 5,798,253	—
Continuation of medical / dental benefits <sup>(11)</sup>	\$ 7,932	\$ 11,076	\$ 9,864	\$ 7,932	—
<b>Total</b>	<b>\$ 64,097,966</b>	<b>\$12,091,391</b>	<b>\$1,394,811</b>	<b>\$28,080,818</b>	<b>—</b>
<b>Voluntary Termination with Good Reason:</b>					
Cash severance <sup>(3)(5)</sup>	—	—	—	—	—
Acceleration of equity-based award	—	—	—	—	—
Acceleration of 2020 LTI	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Termination for Cause or Voluntary Termination without Good Reason:</b>					
Cash severance <sup>(3)(5)</sup>	—	—	—	—	—
Acceleration of equity-based awards	—	—	—	—	—
Acceleration of 2020 LTI	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Disability:</b>					
Cash severance <sup>(3)(5)</sup>	—	—	—	—	—
Acceleration of equity-based award	—	—	—	—	—
Acceleration of 2020 LTI	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Death:</b>					
Cash severance <sup>(3)</sup>	—	—	—	—	—
Acceleration of equity-based awards <sup>(7)(8)</sup>	\$ 90,941,148	\$17,183,498	\$4,331,589	—	—
Acceleration of 2020 LTI and Cash LTI <sup>(10)</sup>	\$ 30,000,000	\$ 6,750,000	\$ 93,550	—	—
Continuation of medical / dental benefits	—	—	—	—	—
<b>Total</b>	<b>\$120,941,148</b>	<b>\$23,933,498</b>	<b>\$4,425,139</b>	<b>—</b>	<b>—</b>
<b>Change of Control and No Termination:</b>					
Cash severance <sup>(3)</sup>	—	—	—	—	—
Acceleration of equity-based awards <sup>(7)(8)</sup>	\$ 90,941,148	\$17,183,498	\$1,319,485	—	—
Acceleration of 2020 LTI and Cash LTI <sup>(10)</sup>	\$ 30,000,000	\$ 6,750,000	\$ 93,550	—	—
Continuation of medical / dental benefits	—	—	—	—	—
<b>Total</b>	<b>\$120,941,148</b>	<b>\$23,933,498</b>	<b>\$1,413,034</b>	<b>—</b>	<b>—</b>
<b>Change of Control and Termination without Cause or for Good Reason:</b>					
Cash severance <sup>(3)</sup>	\$ 8,970,000	\$ 2,250,000	\$2,000,000	—	—
Acceleration of equity-based awards <sup>(7)(8)</sup>	\$ 90,941,148	\$17,183,498	\$4,331,589	—	—
Acceleration of 2020 LTI and Cash LTI <sup>(10)</sup>	\$ 30,000,000	\$ 6,750,000	\$ 93,550	—	—
Continuation of medical / dental benefits <sup>(11)</sup>	\$ 31,728	\$ 44,304	\$ 39,456	—	—
<b>Total</b>	<b>\$129,942,876</b>	<b>\$26,227,802</b>	<b>\$6,464,595</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> Effective December 27, 2021, Mr. Cooper separated from employment with the Company. For purposes of Mr. Cooper's employment agreement and compensation arrangements, Mr. Cooper is receiving payments and benefits due upon a termination of employment without cause. The values reflected in this column are the actual amounts paid or to be paid in connection with his separation except that the amounts for PSUs have not yet been paid. Although the PSUs for Mr. Cooper are no longer subject to a continued service requirement after his mutual separation, payment of such award remains subject to the actual achievement of the applicable performance goals. The amounts shown for PSUs have been estimated assuming a closing price of \$76.61, the closing price of a Company share on the NYSE on December 27, 2021, and that all applicable performance goals are met at target levels.

<sup>(2)</sup> Effective September 2, 2021, Mr. Wyshner stepped down as chief financial officer. Mr. Wyshner did not receive severance payments and his outstanding awards were fully forfeited.

<sup>(3)</sup> Amounts shown do not include any payments for accrued and unpaid salary, bonuses or vacation.

<sup>(4)</sup> In the event of a termination by our Company without cause, cash severance payable to each of Mr. Jacobs, Mr. Harik, Mr. Tulsyan and Mr. Cooper will be reduced, dollar for dollar, by other income earned by such NEO in accordance with the terms of their employment agreement. The calculations of severance pay in the above table use the NEO's base salary effective as of December 31, 2021, except for Mr. Cooper, which is effective December 27, 2021.

<sup>(5)</sup> In the event of a termination for any reason, our Company has the right to extend the period during which each of Mr. Jacobs, Mr. Harik, Mr. Tulsyan, Mr. Cooper and Mr. Wyshner

is bound by the non-competition covenant in their employment agreement for up to 12 additional months, which would extend the non-compete period from three years to four years following termination for Mr. Jacobs, Mr. Harik, Mr. Tulsyan and Mr. Cooper, and from two years to three years following termination for Mr. Wyshner. During the period the non-compete is extended, the NEO would be entitled to receive cash compensation equal to his or her monthly base salary as in effect on the date employment is terminated, reduced dollar for dollar by any other income earned at the time by the NEO. Fully extending the non-compete provision would increase the amounts shown as "Cash Severance" by up to \$1,000,000 for Mr. Jacobs, \$500,000 for Mr. Harik, \$500,000 for Mr. Tulsyan, \$650,000 for Mr. Cooper and \$635,000 for Mr. Wyshner.

- <sup>(6)</sup> Cash severance for Mr. Cooper has been increased to include the extension of his non-compete provision, and an additional extension of his non-solicit provision, to be paid during the period from December 28, 2023 through December 27, 2025, according to the terms of his separation agreement.
- <sup>(7)</sup> In order to preserve the value of the awards held by employees continuing with XPO following the spin-off, including our named executive officers, the number of outstanding shares underlying outstanding awards were adjusted using the ratio and methodology outlined in the Employee Matters Agreement. The ratio was based on the closing price per share of XPO common stock on July 30, 2021 compared to the closing price per share of XPO common stock on August 2, 2021. The modification of these awards in connection with the spin-off did not result in incremental compensation cost.
- <sup>(8)</sup> The values reflected in this column were calculated using \$77.43, the closing price of a Company share on the NYSE on December 31, 2021, the last trading day of our fiscal year 2021. The amounts shown for PSUs have been estimated assuming that the applicable performance goals are met at target levels. Although the PSUs would no longer be subject to a continued service requirement upon the occurrence of a termination by our Company without cause, payment of such award would remain subject to the actual achievement of the applicable performance goals. As of December 31, 2021, none of the NEOs had any unvested stock options.
- <sup>(9)</sup> Amounts shown for Mr. Cooper consists of 56,991 PSUs which remain eligible to vest on December 31, 2022, and 208,309 PSUs which remain eligible to vest on December 31, 2024 subject to achievement of certain performance criteria (for further details related to the performance criteria see footnote 7 in the Outstanding Equity Awards Table at Fiscal Year-end table). The amounts shown for Mr. Cooper assume that all performance criteria are actually met or are deemed met upon a change of control pursuant to the terms of the PSUs.
- <sup>(10)</sup> The amounts shown for 2020 LTI Award, applicable to Mr. Jacobs and Mr. Harik, have been estimated assuming that the applicable performance goals are met at target levels. Although the 2020 LTI Award would no longer be subject to a continued service requirement upon the occurrence of a termination by our Company without cause, payment of such award would remain subject to the actual achievement of the applicable performance goals. The amount shown for Mr. Cooper reflects the amount that he actually received pursuant to the 2020 LTI Award in connection with his separation from employment. Amounts shown for Cash LTI are applicable to Mr. Tulsyan and are not subject to performance conditions. These vest and are paid in full upon the occurrence of a change in control or upon the death of the NEO pursuant to the terms of the award.
- <sup>(11)</sup> The amounts of continued medical and dental benefits shown in the table (i) have been calculated based upon our current actual costs of providing the benefits through COBRA and (ii) have not been discounted for the time value of money. In the event of a termination without cause, continued medical and dental benefits would cease when the NEO commences employment with a new employer.

As of December 31, 2021, each of Mr. Jacobs', Mr. Cooper's, Mr. Harik's and Mr. Wyshner's employment agreement, which are described in detail in this Proxy Statement under the heading "Employment Agreements with NEOs," generally provided that, in the event of a termination without cause either prior to a Change of Control or more than two years following a change of control, cash severance payments and continued benefits would be made ratably over the six-month period following the executive's termination (subject to any delays required pursuant to Section 409A of the Code). The employment agreements generally did not provide for payments other than accrued benefits if employment is terminated due to death or disability. Generally, in the event of a termination upon or within two years following a change of control, cash severance payments would be made in one lump sum (subject to any delays required pursuant to Section 409A of the Code). The severance payments set forth in the table are generally subject to and conditioned upon the NEO signing and not revoking a waiver and release and continued compliance with certain restrictive covenants.

For more information regarding the payments and benefits to which our NEOs are entitled upon certain termination events or upon a Change of Control, see the discussion in this Proxy Statement under the heading "Employment Agreements with NEOs."

## CEO PAY RATIO DISCLOSURE

As required by Item 402(u) of the SEC's Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our CEO to that of our median employee. The pay ratio and annual total compensation amount disclosed in this section are reasonable estimates that have been calculated using methodologies and assumptions permitted by SEC rules.

### Identifying the Median Employee

Due to material changes to XPO's employee population following the spin-off of GXO in 2021, we newly identified our median employee. As permitted under the SEC executive compensation disclosure rules, we elected to run a full analysis to identify a new median employee and selected December 31, 2021 as the measurement date for the median. The median employee was identified based on the same compensation parameters used to select the 2020 median employee, as follows:

- As of December 31, 2021, we had 42,172 employees globally, including 27,321 US employees and 14,851 non-US employees. In determining the identity of our median employee, we excluded 72 employees from China (60), Hong Kong (9) and Singapore (3). After excluding the countries and employees described above, we determined the identity of our median employee from a population of 42,100 employees (27,321 US employees and 14,779 non-US-employees); this employee group included full-time, part-time and seasonal employees.
- The median employee was identified by calculating the 2021 cash compensation for the population of 42,100 employees excluding the CEO. For this purpose, cash compensation included all earnings paid to each employee during the calendar year, including base salary and wages, bonuses, commissions, overtime and holiday or PTO pay. Compensation was converted into US dollars using currency conversion rates as of December 31, 2021.

## **Annual Compensation of Median Employee using Summary Compensation Table Methodology**

After identifying the median employee as described above, we calculated annual total compensation for this employee using the same methodology we use for our CEO in the 2021 Summary Compensation Table. This compensation calculation includes, where applicable, base salary and wages, bonuses, commissions, overtime, holiday or PTO pay, equity awards, 401(k) company match and company-paid life insurance premiums, as applicable. The compensation for our median employee was \$47,257 and the compensation for our company's CEO was \$22,043,280.

## **2021 Pay Ratio**

Based on the above information, the ratio of the annual total compensation of our CEO to the median employee is 466:1. The pay ratio reported by other companies may not be comparable to the pay ratio reported above, due to variances in business mix, proportion of seasonal and part-time employees and distribution of employees across geographies. XPO operates globally with approximately 35% of our population located outside of the United States. We seek to attract, incentivize and retain our employees through a combination of competitive base pay, bonus opportunities, 401(k) contributions, the opportunity to participate in our employee stock purchase plan and other benefits.

## **EMPLOYMENT AGREEMENTS WITH NEOS**

Effective as of July 31, 2020, we entered into employment agreements with Messrs. Jacobs, Cooper and Harik that replaced their 2016 employment agreements with XPO, which would have expired on February 9, 2020. On March 2, 2020, we entered into an employment agreement with Mr. Wyshner. The employment agreements with Messrs. Jacobs, Cooper, Harik and Wyshner are referred to in this section as the "NEO Employment Agreements."

### **Term**

The NEO Employment Agreements with Messrs. Jacobs, Cooper and Harik each provide for a four-year term commencing on July 31, 2020. The NEO Employment Agreement with Mr. Wyshner provides for a three-year term commencing on March 2, 2020.

### **Severance Payments and Benefits**

The severance payments pursuant to the NEO Employment Agreements and Severance Agreements are generally subject to and conditioned upon a NEO signing and not revoking a waiver and general release and also complying with the restrictive covenants contained in his NEO Employment Agreement.

In the event that we terminate a NEO's employment without cause (as defined in his 2020 NEO Employment Agreement or Severance Agreement), either prior to a change of control (as defined in the company's Omnibus Plan) or more than two years following a change of control, such NEO will be entitled to the following severance payments and benefits:

- Twelve months' base salary, at the level in effect on the date of termination, which will be paid in equal installments over the six months following the date of termination, or over twelve months in the event of Mr. Tulsyan's termination (subject to any delay required by Section 409A of the Code), and which generally will be reduced, dollar-for-dollar, by other earned income;
- Mr. Tulsyan receives a prorated target STI for the year of termination; and
- Medical and dental coverage for a period of up to six months from the date of termination.

The NEO Employment Agreements do not provide for accelerated vesting of equity, equity-based or other long-term incentive compensation awards other than as set forth in the applicable award agreements.

In the event that, upon or within two years following a change of control, a NEO's employment is terminated by our company without cause or such NEO resigns for good reason (as defined in his 2020 NEO Employment Agreement), he will receive the following severance payments and benefits:

- A lump-sum cash payment equal to two times (or 2.99 times, in the case of the Mr. Jacobs) the sum of his annual base salary and target annual STI, in each case at the level in effect on the date of termination (subject to any delay required by Section 409A of the Code);
- A prorated target STI for the year of termination; and
- Medical and dental coverage for a period of 24 months from the date of termination.

In the event that any amounts payable to a NEO in connection with a change of control constitute "parachute payments" within the meaning of Section 280G of the Code, then any such amounts will be reduced to avoid triggering the excise tax imposed by Section 4999 of the Code, if such reduction would be more favorable to the NEO on a net after-tax basis. No NEO is entitled to a gross-up payment for excise taxes imposed by Section 4999 of the Code on "excess parachute payments," as defined in Section 280G of the Code.

## **Clawbacks**

Under the NEO Employment Agreements:

- A NEO is subject to certain long-term incentive compensation forfeiture and clawback provisions in the event of: (i) a breach of the restrictive covenants; (ii) termination of employment by our company for cause; or (iii) engagement in fraud or willful misconduct that contributes materially to any financial restatement or material loss to our company or its affiliates. In cases where a cure is possible, the NEO will first be provided with a 15 day period to cure. The time period for the company to take action under this clawback provision is up to six months from the date of termination for cause and, for all other specified conditions, at any time up to six months after learning of the conduct but in no event more than two years after the NEO engages in such conduct.
- A NEO is subject to certain annual STI forfeiture and clawback provisions in the event of engagement in fraud or other willful misconduct that contributes materially to any financial restatement or material loss to our company.

In addition, in the event a NEO breaches any restrictive covenant, such NEO will be required, upon written notice from us, to forfeit or repay his severance payments to our company.

In certain circumstances, the triggering event must have occurred within a certain period in order for us to be able to cause the forfeiture or clawback of equity-based awards, annual STI or severance payments.

Each NEO shall also be subject to any other clawback or recoupment policy of the company as may be in effect from time to time or any clawback or recoupment as may be required by applicable law.

## **Restrictive Covenants**

Under the NEO Employment Agreements, the applicable NEO is generally subject to the following restrictive covenants: employee and customer non-solicitation during employment and for a period of two years thereafter (in the case of Messrs. Jacobs, Cooper and Harik) or three years thereafter (in the case of Mr. Wyshner); confidentiality and non-disparagement during employment and thereafter; and non-competition during employment and for a period of three years thereafter (in the case of Messrs. Jacobs, Cooper and Harik) or two years thereafter (in the case of Mr. Wyshner). In addition, the company has the option to extend the non-competition period for up to an additional year following a termination for any reason, provided that we continue to pay the applicable NEO's base salary as in effect on the date of termination during the extended non-competition period.

## **AGREEMENTS WITH CERTAIN NEOS**

In August 2021, XPO entered into agreements with each of Messrs. Jacobs, Harik, and Cooper setting forth the recalibrated performance goals applicable to the 2020 LTI Awards, the 2018 PSU Awards, and the 2019 PSU Awards approved by the Committee in connection with the spin-off of GXO, as described above. The recalibrated performance goals reflect the profile and financial targets associated with the remaining transportation segment of the business.

In addition, each agreement defined "change in control" for purposes of the 2018 PSU Awards and 2019 PSU Awards to include the eligible transfer (as defined in the agreement) of either (a) assets having a total value of 50% or more of the assets of XPO as of the applicable measurement date or (b) one or more businesses or lines of business representing at least 50% of XPO's revenue during the applicable measurement period. The applicable measurement date and period is December 31, 2018 and fiscal year 2018, respectively, for 2018 PSU Awards or December 31, 2019 and fiscal year 2019 for 2019 PSU Awards.

Upon further review by the Committee in March 2022, the applicable thresholds were changed, increasing the requirement for consummating an eligible transfer from 50% to 75%. The definition of eligible transfer was also clarified to include only a transaction or series of transactions with respect to an entire business or business line of XPO, provided that the distribution of 80% or more of the common stock of a subsidiary of XPO that holds an entire business or business line would be included as an eligible transfer. This change prevents the ability of any less substantial subcomponent of a business line to count towards meeting the required thresholds for an eligible transfer.

Each agreement also, as an additional retention mechanism, provides that if the 2018 PSU Awards and 2019 PSU Awards vest upon the occurrence of a change in control under this new clause, the shares of XPO common stock delivered pursuant to the vested awards (less shares withheld to cover taxes) would be subject to clawback if the NEO voluntarily terminates his employment for any reason or the NEO's employment is terminated by XPO for cause, in each case, within two years following such change in control. Such shares will also be subject to a lock-up during such two-year period.

The agreement with Mr. Jacobs also provides that his continued service as a non-employee director of XPO following his termination of employment would be treated as continued employment for purposes of the new clawback provision applicable to the 2018 PSU Awards and 2019 PSU Awards (if such termination of employment occurs during the clawback period) and for purposes of the service-based vesting conditions applicable to his 2020 LTI Award. Under certain circumstances described in the agreement, Mr. Jacobs's involuntary cessation of service as a non-employee director would result in the clawback obligation with respect to his 2018 PSU Award and 2019 PSU Award (if otherwise applicable) ceasing to apply and full or partial vesting of his 2020 LTI Award.

## EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2021, with respect to the company's compensation plans, under which equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights <sup>(1)</sup> (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	3,474,453 <sup>(2)</sup>	\$9.80	3,374,850 <sup>(3)</sup>
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>3,474,453</b>	<b>\$9.80</b>	<b>3,374,850</b>

<sup>(1)</sup> The weighted average exercise price is based solely on the outstanding options.

<sup>(2)</sup> Includes 6,608 stock options outstanding under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan. Also includes an aggregate of 3,383,990 RSUs and PSUs granted under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan and 83,855 RSUs granted under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan.

<sup>(3)</sup> Includes 1,655,972 securities available for issuance under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan and 1,718,878 securities available for issuance under the XPO Logistics, Inc. Employee Stock Purchase Plan.

# AUDIT-RELATED MATTERS

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## AUDIT COMMITTEE REPORT

*The following statement made by our Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.*

The Audit Committee (“we” in this Audit Committee Report) currently consists of Mr. Aiken (chairman), Ms. DeSalva, Mr. Jesselson and Ms. Landry.

The Board of Directors has determined that each current member of the Audit Committee has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of NYSE, our Audit Committee charter, and the independence standards set forth in the XPO Logistics, Inc. Corporate Governance Guidelines. The Board of Directors has also determined that Mr. Aiken qualifies as an “audit committee financial expert” as defined under Item 407(d)(5) of Regulation S-K of the Exchange Act. As described more fully below, in carrying out its responsibilities, the Audit Committee relies on management and XPO’s independent registered public accounting firm (“KPMG” or the “outside auditors”). The Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee operates under a written charter that is reviewed annually and is available at [www.xpo.com](http://www.xpo.com).

In accordance with our charter, the Audit Committee assists the Board of Directors in fulfilling its responsibilities in a number of areas. These responsibilities include, among others, oversight of: (i) XPO’s accounting and financial reporting processes, including the company’s systems of internal controls over financial reporting and disclosure controls, (ii) the integrity of XPO’s financial statements, (iii) XPO’s compliance with legal and regulatory requirements, (iv) the qualifications and independence of XPO’s outside auditors, and (v) the performance of XPO’s outside auditors and internal audit function. Management is responsible for XPO’s financial statements and the financial reporting process, including the system of internal controls over financial reporting. We are solely responsible for selecting and reviewing the performance of XPO’s outside auditors and, if we deem appropriate in our sole discretion, terminating and replacing the outside auditors. We also are responsible for reviewing and approving the terms of the annual engagement of XPO’s outside auditors, including the scope of audit and non-audit services to be provided by the outside auditors and the fees to be paid for such services, and discussing with the outside auditors any relationships or services that may impact the objectivity and independence of the outside auditors.

In fulfilling our oversight role, we met and held discussions, both together and separately, with the company’s management and our outside auditor KPMG. Management advised us that the company’s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and KPMG, both together and separately, in advance of the public release of operating results and filing of annual and quarterly reports with the SEC. We discussed with KPMG the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (“PCAOB”) and the SEC, and reviewed a letter from KPMG disclosing such matters.

KPMG also provided us with the written disclosures and letter required by applicable requirements of the PCAOB regarding the outside auditors’ communications with the Audit Committee concerning independence, and we discussed with KPMG matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. KPMG has confirmed its independence, and we determined that KPMG’s provision of non-audit services to XPO is compatible with maintaining its independence. We also reviewed a report by KPMG describing the firm’s internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the PCAOB.

Based on our review and discussion of XPO’s audited consolidated financial statements with management and KPMG, and KPMG’s report on such financial statements, and based on the discussions and written disclosures described above, and our business judgment, we recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements be included in XPO’s Annual Report on Form 10-K for the year ended December 31, 2021, for filing with the SEC.

## AUDIT COMMITTEE:

*Jason Aiken, chairman (since August 2, 2021)*

*AnnaMaria DeSalva, member (since August 2, 2021)*

*Michael Jesselson, member*

*Allison Landry, member (since August 2, 2021)*

## POLICY REGARDING PRE-APPROVAL OF SERVICES PROVIDED BY THE OUTSIDE AUDITORS

The Audit Committee's charter requires review and pre-approval by the Audit Committee of all audit services provided by our outside auditors and, subject to the de minimis exception under applicable SEC rules, all permissible non-audit services provided by our outside auditors. The Audit Committee has delegated to its chairman the authority to approve, within guidelines and limits established by the Audit Committee, specific services to be provided by our outside auditors and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, the Audit Committee pre-approved all audit and non-audit services provided by our outside auditors during 2021 and 2020, and the fees paid for such services.

## SERVICES PROVIDED BY THE OUTSIDE AUDITORS

As described above, the Audit Committee is responsible for the appointment, compensation, oversight, evaluation and termination of our outside auditors. Accordingly, the Audit Committee appointed KPMG to serve as our independent registered public accounting firm for fiscal year 2022 on April 13, 2022.

The following table shows the fees for audit and other services provided by KPMG for fiscal years 2021 and 2020.

Fee Category	2021	2020
Audit Fees	\$ 5,306,000	\$ 5,849,335
Audit-Related Fees	4,815,197	8,664,528
Tax Fees	5,893	—
All Other Fees	—	—
<b>Total Fees</b>	<b>\$10,127,090</b>	<b>\$14,513,863</b>

**Audit Fees.** This category includes fees for professional services rendered by KPMG for 2021 and 2020, for the audits of our financial statements included in our Annual Report on Form 10-K, and reviews of the financial statements included in our Quarterly Reports on Form 10-Q. Audit fees also include comfort letter fees for 2021.

**Audit-Related Fees.** The 2021 and 2020 fees include transaction-related carve-out audit and other audit-related services.

**Tax Fees.** This category includes fees billed for professional services rendered by KPMG in connection with general tax consulting services in 2021.

**All Other Fees.** This category represents fees for all other services or products provided and not covered by the categories above. There were no such fees for 2021 and 2020.

# PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING

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## **Proposal 1: Election of Directors**

Our Board of Directors has nominated for election at the Annual Meeting each of the following persons to serve until the 2023 Annual Meeting of Stockholders or until their successors are duly elected and qualified:

*Brad Jacobs*  
*Jason Aiken*  
*AnnaMaria DeSalva*  
*Michael Jesselson*  
*Adrian Kingshott*  
*Mary Kissel*  
*Allison Landry*  
*Johnny C. Taylor, Jr.*

Mr. Jacobs, Ms. DeSalva, Mr. Jesselson and Mr. Kingshott were elected as directors by our stockholders at our 2021 Annual Meeting of Stockholders. As a result of the spin-off, four of our directors resigned from the XPO Board and became directors of GXO. To fill the vacancies, the Board engaged an independent third party to conduct a search to find highly qualified candidates who bring relevant experience and diverse perspectives to the Board. Mr. Aiken, Ms. Kissel, Ms. Landry and Mr. Taylor were identified as such candidates and, upon the recommendation of the Nominating, Corporate Governance and Sustainability Committee, appointed directors by the Board on August 2, 2021. Information about the nominees is set forth above under the heading “Board of Directors and Corporate Governance — Directors.”

In the event that any of these nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies voting for his or her election will be voted for any nominee who shall be designated by the Board of Directors to fill the vacancy. As of the date of this Proxy Statement, we are not aware that any of the nominees is unable or will decline to serve as a director if elected.

## **REQUIRED VOTE**

The election of each of the eight (8) director nominees named in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” a nominee must exceed the number of shares voted “against” such nominee) by holders of shares of our common stock. If any incumbent director standing for election receives a greater number of votes “against” his or her election than votes “for” his or her election, our bylaws require that such person must promptly tender his or her resignation to the Board of Directors, subject to acceptance by the Board of Directors.

## **RECOMMENDATION**

**Our Board of Directors recommends a vote “FOR” the election of each of the nominees listed above to our Board of Directors.**



## **Proposal 2: Ratification of the Appointment of KPMG LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2022**

The Audit Committee of our Board of Directors has appointed KPMG LLP (“KPMG”) to serve as our independent registered public accounting firm for the year ending December 31, 2022. KPMG has served in this capacity since 2011.

We are asking our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2022. Although ratification is not required by our bylaws or otherwise, our Board of Directors is submitting the appointment of KPMG to our stockholders for ratification as a matter of good corporate governance. If our stockholders fail to ratify the appointment of KPMG, the Audit Committee will consider whether it is appropriate and advisable to appoint a different independent registered public accounting firm. Even if our stockholders ratify the appointment of KPMG, the Audit Committee in its discretion may appoint a different registered public accounting firm at any time if it determines that such a change would be in the best interests of our company and our stockholders.

Representatives of KPMG are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so, and to respond to appropriate questions.

### **REQUIRED VOTE**

Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2022 requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

### **RECOMMENDATION**

**Our Board of Directors recommends a vote “FOR” the ratification of the appointment of KPMG as our independent registered public accounting firm for fiscal year 2022.**

## Proposal 3: Approval of an Amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to Increase the Number of Available Shares Thereunder

We are asking our stockholders to approve an amendment (the “Amendment”) to the company’s 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the “Omnibus Plan” or the “2016 Plan”) which increases the number of shares of our common stock available for issuance thereunder by 2,300,000 shares to a total of 9,546,940 shares. Our Compensation Committee and our Board believe that this share increase is necessary to ensure that the company has a sufficient reserve of shares available to enable the company to make equity award grants that attract and retain the services of key individuals essential to the company’s long-term growth and success. The Amendment was adopted by the Board on April 13, 2022, subject to, and effective upon, approval by our stockholders. Currently, the 2016 Plan provides that the maximum number of shares available for issuance pursuant to awards issued thereunder is 7,246,940 shares of our common stock (including shares added through an antidilution adjustment made in connection with the spin-off of GXO). If the stockholders do not approve the Amendment, the Amendment will not become effective, the 2016 Plan will continue in effect (without giving effect to the Amendment), and we will be subject to the current share limit set forth in the 2016 Plan.

### Background of the Amendment

Prior to recommending that the Board adopt the Amendment, the Compensation Committee considered the advice and input of management. The Amendment, as approved by our Board, is designed to allow us to continue to use different forms of compensation awards, retain and reward eligible participants under the 2016 Plan and strengthen the alignment of interests between management and our stockholders. The purpose of the Amendment is to continue promoting our interests and those of our stockholders by (1) enabling us to grant awards that attract and retain exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants), and (2) enabling such individuals to participate in, and motivating their efforts toward, our long-term growth and financial success. As of April 5, 2022, 586,322 shares of our common stock remained available for future grants under the 2016 Plan, which is our only incentive award plan with shares available for issuance. The Board and the Compensation Committee considered various factors, including (a) the number of shares available for issuance under the 2016 Plan, both currently and after giving effect to the Amendment and (b) the Company’s potential burn rate, dilution and overhang data (described below).

The company does not expect to use shares approved through the Amendment for additional grants of awards to Messrs. Jacobs, Harik or Tulsyan while the 2020 LTI Awards (with respect to Messrs. Jacobs and Harik) and 2021 PSU Award (with respect to Mr. Tulsyan) remains outstanding.

### Determination of Number of Shares for the Amendment

As of April 5, 2022, our capital structure consisted of 114,981,862 shares of outstanding common stock. There are no shares of preferred stock or warrants currently outstanding.

<b>Our Fully-Diluted Capitalization:</b>	
Shares of common stock	114,981,862
Fully-Diluted Common Stock Outstanding	114,981,862

The table below represents our potential overhang levels based on our fully-diluted common stock outstanding, as shown above, and our request for 2,300,000 additional shares to be available for awards pursuant to the Amendment.

<b>Potential Overhang with 2,300,000 Additional Shares:</b>		
Total equity awards outstanding as of April 5, 2022		4,335,779
Options and Stock Appreciation Rights Outstanding*	6,608	
Restricted Stock Units and Performance-based Restricted Stock Units Outstanding	4,329,171	
Shares available for grant under the 2016 Plan		586,322
Additional requested shares		2,300,000
Total Potential Dilution, or Overhang		7,222,101
Potential Dilution as a Percentage of Fully-Diluted Common Stock Outstanding		6.28%

\* Weighted average exercise price: \$9.80; weighted average remaining term: 0.93 years

### XPO BURN RATE

We actively manage our long-term dilution by limiting the number of shares subject to equity awards that we grant, commonly expressed as a percentage of total shares outstanding and referred to as “burn rate.” Burn rate is a key measure of dilution that shows how rapidly a company is depleting its shares reserved for equity compensation plans, and differs from annual dilution because it does not take into account cancellations and other shares returned to the reserve. In order to calculate our burn rate, we

include the number of stock options granted in any given period, plus the number of full value shares earned during the period and divide the total by the weighted average common shares outstanding.

We have calculated our burn rate under the 2016 Plan for the past three years, as set forth in the following table (share numbers rounded and reported in thousands):

	Fiscal Year Ended December 31,			3-Year Average
	2021	2020	2019	
Options Granted	0	0	0	
Restricted Stock Units Granted	839	1,053	1,148	
Performance-based Restricted Stock Units Vested	23	104	407	
Weighted Average Common Shares Outstanding	112,000	92,000	96,000	
Volatility Multiplier	2.0	2.0	2.0	
<b>Burn Rate</b>	1.15%	1.89%	2.43%	1.82%

Note: Burn rate is calculated as (options granted + RSUs granted + Performance-based RSUs vested) / weighted average shares outstanding. All RSUs granted and Performance-based RSUs vested are adjusted using a multiplier of 2.0 options per share (based on the ISS methodology and the Company's 3-year average stock price volatility).

The purpose of the Amendment is to increase the number of authorized shares of our common stock available under the 2016 Plan. Our Board believes that this increase in authorized shares represents a reasonable amount of potential equity dilution and allows us to continue awarding equity incentives, which are an important component of our overall compensation program. Our Board and the Compensation Committee considered the following material factors, among others, in determining acceptable and targeted levels of dilution: competitive data from relevant peer companies, the current and future accounting expense associated with our equity award practices, stockholder feedback and the influence of certain proxy advisory firms. Our equity programs are revisited at least annually and assessed against these and other measures.

## SUMMARY OF SIGNIFICANT FEATURES OF THE 2016 PLAN

The 2016 Plan (as modified by the Amendment) contains the following significant features:

- The maximum total number of shares of common stock, par value \$0.001 per share (our "common stock") that we may issue under the 2016 Plan is 9,546,940 shares (including 2,300,000 additional shares added by the Amendment). The closing trading price of our common stock on the NYSE on April 8, 2022 was \$60.90;
- The maximum number of shares of our common stock available to be granted under the 2016 Plan to any participant in any fiscal year is 2,500,000;
- The maximum aggregate amount of cash and other property that is permitted to be paid or delivered under the 2016 Plan to any participant in any fiscal year is \$10,000,000; and
- The value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan in any fiscal year is limited to \$350,000 on the date of grant.

## HIGHLIGHTS OF KEY CORPORATE GOVERNANCE PRACTICES AND PROVISIONS UNDER THE 2016 PLAN

The 2016 Plan promotes the interests of our stockholders and is consistent with principles of good corporate governance. The 2016 Plan includes, among other things, the following practices and provisions:

- **Administered by an independent compensation committee.** Awards under the 2016 Plan are administered by our Compensation Committee, which is composed entirely of independent directors who meet the SEC and NYSE standards of independence.
- **Awards require a minimum vesting period.** The 2016 Plan requires a minimum vesting period of one year, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement.
- **Clawbacks.** All awards under the 2016 Plan are subject to recoupment or clawback under certain circumstances.
- **No liberal share counting.** The 2016 Plan prohibits the reuse of shares withheld to satisfy the exercise price or tax withholding requirements of an award or share-based awards granted under the 2016 Plan that are settled in cash.
- **Cap on awards to non-employee directors.** The value of shares (as of the date of grant) awarded to a single non-employee director during a fiscal year will not exceed \$350,000.

- **No discounted stock options or SARs.** All stock options and stock appreciation right awards (“SARs”) under the 2016 Plan must have an exercise price or base price that is not less than the fair market value of the underlying common stock on the date of grant.
- **No repricing of stock options or SARs.** The 2016 Plan prohibits any repricing of stock options or SARs for shares or cash without stockholder approval.
- **No tax gross-ups.** The 2016 Plan does not include any tax gross-up provisions.
- **No reloads.** The 2016 Plan does not permit the grant of stock option reloads.
- **No Dividends on Unvested Awards.** No dividends or dividend equivalents may be paid with respect to stock options, SARs, or cash awards. The 2016 Plan does not permit dividends or dividend equivalents to be paid in respect of any full value stock award until the underlying award becomes vested.

## SUMMARY OF THE 2016 PLAN

The material terms of the 2016 Plan are summarized below. This summary does not contain all information about the 2016 Plan. This summary is qualified in its entirety by reference to, and should be read together with, the full text of the Amendment, which is attached to this Proxy Statement as Annex B, and full text of the 2016 Plan, which is attached to this Proxy Statement as Annex C.

### Types of Awards

The 2016 Plan provides for the grant of options intended to qualify as incentive stock options (“ISOs”) under Section 422 of the Code, nonqualified stock options (“NSOs”), stock appreciation rights (“SARs”), restricted share awards, restricted stock units (“RSUs”), performance compensation awards, performance units, cash incentive awards, deferred share units and other equity-based and equity-related awards, as well as cash-based awards.

### Plan Administration

The 2016 Plan is administered by the Compensation Committee of our Board or such other committee our Board designates to administer the 2016 Plan (the “Committee”). Subject to the terms of the 2016 Plan and applicable law, the Committee has sole authority to administer the 2016 Plan, including, but not limited to, the authority to (1) designate plan participants, (2) determine the type or types of awards to be granted to a participant, (3) determine the number of shares of our common stock to be covered by awards, (4) determine the terms and conditions of awards, (5) determine the vesting schedules of awards and, if certain performance criteria were required to be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (6) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the 2016 Plan, (7) establish, amend, suspend or waive such rules and regulations and appoint such agents as it should deem appropriate for the proper administration of the 2016 Plan, (8) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards, and (9) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the 2016 Plan.

### Shares Available For Awards

Subject to adjustment for changes in capitalization, there are 7,246,940 shares of our common stock, in the aggregate, that are currently authorized for delivery pursuant to awards granted under the 2016 Plan, 5,400,000 shares of which may be granted pursuant to ISOs. If the Amendment is approved by stockholders, an additional 2,300,000 shares of our common stock would be available to be delivered pursuant to awards granted under the 2016 Plan so that the total number of shares available to be delivered pursuant to awards granted under the 2016 Plan would be 9,546,940, of which 5,400,000 may be granted pursuant to ISOs. Awards that are settled in cash do not reduce the number of shares available for delivery under the 2016 Plan. If any award granted under the 2016 Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of all shares subject thereto, then the number of shares subject to such award that were not issued are not treated as issued for purposes of reducing the maximum aggregate number of shares that may be delivered pursuant to the 2016 Plan.

Notwithstanding the foregoing, and for the avoidance of doubt, shares that were surrendered or tendered to us in payment of the exercise price of an award (including with respect to stock-settled SARs) or any taxes required to be withheld in respect of an award and awards based on the fair market value of a share that are settled other than by the delivery of shares (including cash settlement) do not become available again to be delivered pursuant to awards under the 2016 Plan or increase the number of shares that may be delivered pursuant to ISOs under the 2016 Plan. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that are available to be granted pursuant to awards to any participant in the 2016 Plan in any fiscal year is 2,500,000. In the case of awards settled in cash based on the fair market value of a share, the maximum aggregate amount of cash that is permitted to be paid pursuant to awards granted to any participant in the 2016 Plan in any fiscal year is equal to the per-share fair market value as of the relevant vesting, payment or settlement date multiplied by the maximum number of shares which could be granted, as described above (*i.e.*, 2,500,000 shares). The maximum aggregate amount of cash and other property (valued at fair market value) that is permitted to be paid or delivered pursuant to awards under the 2016 Plan (other than as described in the two immediately preceding sentences) to any participant in any fiscal year is \$10,000,000. The maximum value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan

in any fiscal year is \$350,000 as of the date of grant. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that are available to be granted pursuant to ISOs to any participant in the 2016 Plan in any fiscal year is 2,500,000.

### **Changes in Capitalization**

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off affecting the shares of our common stock, the Committee shall make equitable adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan in the manner it determined to be appropriate or desirable. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of our common stock or other similar corporate transactions, the Committee in its discretion is permitted to make such adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan as it deems appropriate or desirable.

### **Substitute Awards**

The Committee is permitted to grant awards in assumption of, or in substitution for, outstanding awards previously granted by us or any of our affiliates or a company that we acquired or with which we combined. Any shares issued by us through the assumption of or substitution for outstanding awards granted by a company that we acquired do not reduce the aggregate number of shares of our common stock available for awards under the 2016 Plan, except that awards issued in substitution for ISOs will reduce the number of shares of our common stock available for ISOs under the 2016 Plan.

### **Source of Shares**

Any shares of our common stock issued under the 2016 Plan consist, in whole or in part, of authorized and unissued shares or of treasury shares.

### **Eligible Participants**

Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of our company or our affiliates is eligible to participate in the 2016 Plan. As of March 31, 2022, there were seven non-employee directors, three executive officers, approximately 43,000 employees globally, and approximately 3,500 consultants in the United States (the number of consultants engaged in other jurisdictions varies, and the Company generally does not expect to grant awards to consultants in such other jurisdictions).

### **Stock Options**

The Committee is permitted to grant both ISOs and NSOs under the 2016 Plan. The exercise price for stock options may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any stock option granted under the 2016 Plan without the approval of our stockholders. All stock options granted under the 2016 Plan are NSOs unless the applicable award agreement expressly stated that the stock option was intended to be an ISO. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a stock option, the vesting criteria, term, methods of exercise and any other terms and conditions of any stock option. Unless otherwise set forth in the applicable award agreement, each stock option expires upon the earlier of (i) the tenth anniversary of the date the stock option was granted and (ii) three months after the participant who was holding the stock option ceased to be a director, officer, employee or consultant for us or one of our affiliates. The exercise price is permitted to be paid with cash (or its equivalent) or, in the sole discretion of the Committee, with previously acquired shares of our common stock or through delivery of irrevocable instructions to a broker to sell our common stock otherwise deliverable upon the exercise of the stock option (provided that there was a public market for our common stock at such time), or, in the sole discretion of the Committee, a combination of any of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such shares so tendered to us as of the date of such tender, together with any shares withheld by us in respect of taxes relating to a stock option, was at least equal to such aggregate exercise price.

### **Stock Appreciation Rights**

The Committee is permitted to grant SARs under the 2016 Plan. The exercise price for SARs may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any SAR granted under the 2016 Plan without the approval of our stockholders. Upon exercise of a SAR, the holder receives cash, shares of our common stock, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Committee, equal in value to the excess, if any, of the fair market value of a share of our common stock on the date of exercise of the SAR over the exercise price of the SAR. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Unless otherwise set forth in the applicable award agreement, each SAR expires upon the earlier of (i) the tenth anniversary of the date the SAR was granted and (ii) three months after the participant who was holding the SAR ceased to be a director, officer, employee or consultant for us or one

of our affiliates. Under certain circumstances, the Committee has the ability to substitute, without the consent of the affected participant, SARs for outstanding NSOs. No SAR granted under the 2016 Plan can be exercised more than 10 years after the date of grant.

### ***Restricted Shares and Restricted Stock Units***

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant restricted shares and RSUs. Restricted shares and RSUs are not permitted to be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the 2016 Plan or the applicable award agreement, except that the Committee may determine that restricted shares and RSUs are permitted to be transferred by the participant for no consideration. Restricted shares may be evidenced in such manner as the Committee determines.

An RSU is granted with respect to one share of our common stock or has a value equal to the fair market value of one such share. Upon the lapse of restrictions applicable to an RSU, the RSU may be paid in cash, shares of our common stock, other securities, other awards or other property, as determined by the Committee, or in accordance with the applicable award agreement. In connection with each grant of restricted shares, except as provided in the applicable award agreement, the holder is entitled to the rights of a stockholder (including the right to vote and receive dividends) in respect of such restricted shares. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds RSUs with dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

### ***Performance Units***

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant performance units to participants. Performance units are awards with an initial value established by the Committee (or that was determined by reference to a valuation formula specified by the Committee) at the time of the grant. In its discretion, the Committee sets performance goals that, depending on the extent to which they were met during a specified performance period, determine the number and/or value of performance units that are paid out to the participant. The Committee, in its sole discretion, is permitted to pay earned performance units in the form of cash, shares of our common stock or any combination thereof that has an aggregate fair market value equal to the value of the earned performance units at the close of the applicable performance period. The determination of the Committee with respect to the form and timing of payout of performance units is set forth in the applicable award agreement. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds performance units with dividends or dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

### ***Cash Incentive Awards***

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant cash incentive awards to participants. In its discretion, the Committee determines the number of cash incentive awards to be awarded, the duration of the period in which, and any condition under which, the cash incentive awards vest or are forfeited, and any other terms and conditions applicable to the cash incentive awards. Subject to the provisions of the 2016 Plan, the holder of a cash incentive award may receive payment based on the number and value of the cash incentive award earned, which is determined by the Committee, in its discretion, based on the extent to which performance goals or other conditions applicable to the cash incentive award have been achieved.

### ***Other Stock-Based Awards***

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant to participants other equity-based or equity-related compensation awards, including vested stock, which shall be granted pursuant to the five percent limit described below under the header "Minimum Vesting Period." The Committee is permitted to determine the amounts and terms and conditions of any such awards.

### ***Clawbacks***

The Company may clawback awards provided to eligible employees to the extent required by applicable law and as otherwise determined by the Compensation Committee and set forth in an award agreement.

### ***Minimum Vesting Period***

The 2016 Plan is subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such awards.

### ***Amendment and Termination of the 2016 Plan***

Subject to any applicable law or government regulation and to the rules of the applicable national stock exchange or quotation system on which the shares of our common stock may be listed or quoted, the 2016 Plan may be amended, modified or terminated by our Board without the approval of our stockholders, except that stockholder approval is required for any amendment that (i) increases the maximum number of shares of our common stock available for awards under the 2016 Plan or increases the

maximum number of shares of our common stock that could be delivered pursuant to ISOs granted under the 2016 Plan, (ii) changes the class of employees or other individuals eligible to participate in the 2016 Plan, (iii) amends or decreases the exercise price of any option or SAR, (iv) cancels or exchanges any option or SAR at a time when its exercise price exceeds the fair market value of the underlying shares, (v) allows repricing of any option or SAR without stockholder approval, or (vi) constitutes a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof. Under these provisions, stockholder approval is not required for all possible amendments that might increase the cost of the 2016 Plan. No modification, amendment or termination of the 2016 Plan that materially and adversely impairs the rights of any participant is effective without the consent of the affected participant, unless otherwise provided by the Committee in the applicable award agreement.

The Committee is permitted to waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted under the 2016 Plan, the Prior Plans (as defined in Annex C hereto) or the Stock Option Plan (as defined below), prospectively or retroactively. However, unless otherwise provided by the Committee in the applicable award agreement or in the 2016 Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that materially and adversely impairs the rights of any participant to any award previously granted is not effective without the consent of the affected participant.

The Committee is authorized to make adjustments in the terms and conditions of awards in the event of any unusual or nonrecurring corporate event (including the occurrence of a change of control of our company) affecting us, any of our affiliates or our financial statements or the financial statements of any of our affiliates, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law whenever the Committee, in its discretion, determined that those adjustments were appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for exercise prior to the occurrence of such event and, in its discretion, the Committee is permitted to provide for a cash payment to the holder of an award in consideration for the cancellation of such award.

### **Change of Control**

The 2016 Plan provides that, unless otherwise provided in an award agreement, in the event of a change of control of our company, awards will be assumed and replaced by awards of equivalent value in connection with the change of control and such assumed awards will have so-called “double trigger” vesting provisions, such that the awards will vest in full and become immediately exercisable upon qualifying terminations of employment during the two-year period following the change of control. However, in the event that awards are not replaced with awards of equivalent value the vesting of the awards will generally accelerate immediately prior to the change of control.

Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

- during any period, a change in the composition of a majority of the board of directors, as constituted on the first day of such period, that was not supported by a majority of the incumbent board of directors;
- consummation of certain mergers or consolidations of our company with any other corporation following which our stockholders hold 50% or less of the combined voting power of the surviving entity;
- the stockholders approve a plan of complete liquidation or dissolution of our company; or
- an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors that was equal to or greater than 30%.

Although award agreements may provide for a different definition of change of control than is provided for in the 2016 Plan, except in the case of a transaction described in the third bullet above, any definition of change of control set forth in any award agreement must provide that a change of control will not occur until consummation or effectiveness of a change of control of our company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, will result in a change of control of our company.

### **Term of the 2016 Plan**

No award may be granted under the 2016 Plan after May 18, 2032.

### **NEW PLAN BENEFITS**

Awards under the 2016 Plan are made at the discretion of the Committee. Therefore, the benefits or amounts that will be received by or allocated to each named executive officer, all current executive officers as a group, all directors who are not executive officers as a group, and all employees who are not executive officers as a group, under the 2016 Plan if the Amendment is approved by stockholders are not presently determinable. The company does not expect to use shares approved through the Amendment for additional grants of awards to Messrs. Jacobs, Harik or Tulsyan while the 2020 LTI Awards (with respect to Messrs. Jacobs and Harik) and 2021 PSU Award (with respect to Mr. Tulsyan) remains outstanding.

## **CERTAIN U.S. FEDERAL INCOME TAX ASPECTS OF THE 2016 PLAN**

The following summary describes the U.S. Federal income tax treatment associated with options awarded under the 2016 Plan. The summary is based on the law as in effect on the date of this filing, which is subject to change (possibly retroactively). The summary does not purport to cover federal employment tax or other federal tax consequences that may be associated with the 2016 Plan, nor does it discuss state, local and foreign tax consequences. The tax treatment of participants in the 2016 Plan may vary depending on each participant's particular situation and may, therefore, be subject to special rules not discussed below. Participants are advised to consult with a tax advisor concerning the specific tax consequences of participating in the 2016 Plan.

### ***Incentive Stock Options***

Neither the grant nor the exercise of an ISO results in taxable income to the optionee for regular U.S. federal income tax purposes. However, an amount equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the ISO is being exercised will count as "alternative minimum taxable income" which, depending on the particular facts, could result in liability for the "alternative minimum tax" or AMT. If the optionee does not dispose of the shares issued pursuant to the exercise of an ISO until the later of the two-year anniversary of the date of grant of the ISO and the one-year anniversary of the date of the acquisition of those shares, then (a) upon a later sale or taxable exchange of the shares, any recognized gain or loss will be treated for tax purposes as a long-term capital gain or loss and (b) we will not be permitted to take a deduction with respect to that ISO for federal income tax purposes.

If shares acquired upon the exercise of an ISO were disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally the optionee will realize ordinary income in the year of disposition in an amount equal to the lesser of (i) any excess of the fair market value of the shares at the time of exercise of the ISO over the amount paid for the shares or (ii) the excess of the amount realized on the disposition of the shares over the participant's aggregate tax basis in the shares (generally, the exercise price). A deduction will generally be available to us equal to the amount of ordinary income recognized by the optionee. Any further gain realized by the optionee will be taxed as short-term or long-term capital gain and will not result in any deduction by us. A disqualifying disposition occurring in the same calendar year as the year of exercise will eliminate the alternative minimum tax effect of the ISO exercise.

Special rules may apply where all or a portion of the exercise price of an ISO is paid by tendering shares, or if the shares acquired upon exercise of an ISO are subject to substantial forfeiture restrictions. The foregoing summary of tax consequences associated with the exercise of an ISO and the disposition of shares acquired upon exercise of an ISO assumes that the ISO is exercised during employment or within three months following termination of employment. The exercise of an ISO more than three months following termination of employment will result in the tax consequences described below for NSOs, except that special rules apply in the case of disability or death. An individual's stock options otherwise qualifying as ISOs will be treated for tax purposes as NSOs (and not as ISOs) to the extent that, in the aggregate, they first become exercisable in any calendar year for stock having a fair market value (determined as of the date of grant) in excess of \$100,000.

### ***Nonqualified Stock Options***

An NSO (that is, a stock option that does not qualify as an ISO) results in no taxable income to the optionee or deduction to us at the time it is granted. An optionee exercising an NSO will, at that time, realize taxable compensation equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the stock option is being exercised. If the NSO was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will generally be available to us. The foregoing summary assumes that the shares acquired upon exercise of an NSO option are not subject to a substantial risk of forfeiture.

### ***Restricted Stock and Restricted Stock Units***

A restricted stock award results in no taxable income to the grantee or deduction to us at the time it is granted, unless the grantee elected to realize ordinary income in the year the award is granted in an amount equal to the fair market value of the restricted stock awarded, determined without regard to the restrictions. If no such election has been made, when the restrictions lapse with regard to any installment of restricted stock, the grantee will recognize ordinary income in an amount equal to the fair market value of the shares with respect to which the restrictions lapse. A grantee will not recognize income at the time an award of restricted stock units ("RSUs") is granted. The grantee will generally recognize ordinary income at the time the RSUs vest, in an amount equal to the cash paid or to be paid or the fair market value of the shares delivered or to be delivered. If the award of restricted stock or RSUs was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will generally be available to the company.

### ***Section 162(m)***

In general, Section 162(m) of the Code currently provides that if, in any year, the compensation that is paid to any "covered employee" (as defined under Section 162(m)) exceeds \$1,000,000 per person, any amounts that exceed the \$1,000,000 threshold will not be deductible by the company for federal income tax purposes.



### **Section 409A**

Section 409A of the Code imposes restrictions on nonqualified deferred compensation. Failure to satisfy these rules results in accelerated taxation, an additional tax to the holder in an amount equal to 20% of the deferred amount, and a possible interest charge. Stock options granted with an exercise price that is not less than the fair market value of the underlying shares on the date of grant will not give rise to “deferred compensation” for this purpose unless they involve additional deferral features. Stock options that are awarded under the 2016 Plan are intended to be eligible for this exception.

### **REQUIRED VOTE**

The approval of an amendment to the company’s 2016 Omnibus Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

### **RECOMMENDATION**

**Our Board of Directors recommends a vote “FOR” approval of the resolution to approve the amendment to the company’s 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder.**

## Proposal 4: Advisory Vote to Approve Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, and Section 14A of the Securities Exchange Act of 1934, require that we provide our stockholders with the opportunity to vote to approve, on a non-binding advisory basis, the compensation of our NEOs as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. Accordingly, we are asking our stockholders to approve the following advisory resolution:

**“RESOLVED**, that the stockholders of XPO Logistics, Inc. (the “company”) hereby approve, on an advisory basis, the compensation of the company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in the Proxy Statement for the company’s 2022 Annual Meeting of Stockholders.”

We encourage stockholders to review the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosures included in this Proxy Statement. As described in detail under the heading “Executive Compensation — Compensation Discussion and Analysis,” we believe that our compensation programs appropriately reward executive performance and align the interests of our NEOs and key employees with the long-term interests of our stockholders, while also enabling us to attract and retain talented executives.

This resolution, commonly referred to as a “say-on-pay” resolution, is not binding on our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will consider the voting results when making future decisions regarding our executive compensation program.

At the 2018 Annual Meeting of Stockholders, our stockholders voted to approve an annual holding of the advisory vote on executive compensation. This frequency will continue until the next required non-binding, advisory vote is held on the frequency of advisory votes on executive compensation in 2024, as per the SEC rules.

### REQUIRED VOTE

Approval of this advisory resolution, commonly referred to as a “say-on-pay” resolution, requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

### RECOMMENDATION

**Our Board of Directors recommends a vote “FOR” approval of the advisory resolution to approve executive compensation set forth above.**

## Proposal 5: Stockholder Proposal Regarding Additional Disclosure of the Company's Political Activities

We have been notified that the Service Employees International Union Pension Plans Master Trust, 1800 Massachusetts Ave NW, Suite 301, Washington, D.C. 20036, expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of January 4, 2022, it was the beneficial owner of at least \$2,000 worth of the company's common stock, and that it intends to maintain such ownership through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

### PROPOSAL

**WHEREAS**, full disclosure of XPO's direct and indirect lobbying activities and expenditures is required to assess whether XPO's lobbying is consistent with its expressed goals and in stockholder interests.

**RESOLVED:** stockholders request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by XPO used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. XPO's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision-making process and oversight for making payments described in section 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which XPO is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee and posted on XPO's website.

### SUPPORTING STATEMENT:

XPO spent \$590,000 on federal lobbying in 2019 and 2020. This does not include state lobbying, where XPO also lobbies but disclosure is uneven or absent. The need for transparency remains highlighted by continued scrutiny of former XPO supply chain CEO and board member Louis DeJoy's role as Postmaster General.<sup>1</sup>

XPO fails to disclose its memberships in or payments to trade associations and social welfare organizations or the amounts used for lobbying, including grassroots. Companies can give unlimited amounts to third party groups that spend millions on lobbying and often undisclosed grassroots activity, and these groups may be spending "at least double what's publicly reported."<sup>2</sup> XPO belongs to the Business Roundtable (BRT) and Transportation Intermediaries Association, which together spent \$37,930,000 on federal lobbying for 2019 and 2020, and to the Road Haulage Association (RHA) in the United Kingdom. And XPO does not disclose its contributions to groups which write and endorse model legislation, like the American Legislative Exchange Council, which supports ending government regulation over private contracting.<sup>3</sup>

We believe XPO's lack of disclosure presents reputational risks when its lobbying contradicts company public positions. For example, XPO lists safety for its employees and operations as its first value, yet the New York Times reports that supervisors have required pregnant women to lift more weight than their doctor has certified them to lift, and as a result have suffered miscarriages.<sup>4</sup> And, XPO is committed to environmental sustainability, yet the RHA has reportedly lobbied to undermine clean air goals in the UK.<sup>5</sup>

We urge XPO to expand its lobbying disclosure.

<sup>1</sup> <https://www.washingtonpost.com/business/2021/08/06/usps-dejoy-xpo-logistics/>.

<sup>2</sup> <https://theintercept.com/2019/08/06/business-group-spending-on-lobbying-in-washington-is-at-least-double-whats-publicly-reported/>.

<sup>3</sup> <https://www.exposedbycmd.org/2020/12/03/alec-holds-virtual-states-and-national-policy-summit/>.

<sup>4</sup> <https://www.nytimes.com/interactive/2018/10/21/business/pregnancy-discrimination-miscarriages.html>.

<sup>5</sup> <https://www.desmog.co.uk/2020/10/05/revealed-lobby-groups-backed-big-brands-fighting-against-air-pollution>.

## STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

### The XPO Board of Directors Unanimously Recommends a Vote Against Stockholder Proposal No. 5 for the Reasons Outlined Below:

- XPO's participation in the public policy making process is limited
- The Board of Directors and senior management provide effective and rigorous oversight of XPO's lobbying expenditures
- The company's disclosures are appropriate, in line with market practice and fully comply with reporting requirements.

XPO regularly reviews its disclosures relating to political activity and lobbying expenditures and believes these disclosures are appropriate and adequate. The company is fully committed to providing transparency to stockholders on matters material to the company; in fact, publicly available disclosures about XPO's total federal lobbying expenditures already satisfy the concern raised in the proposal, as described below. The additional detailed disclosures contemplated by this proposal represent an unnecessary expenditure of resources and would, in the opinion of the Board, not provide a corresponding benefit to stockholders.

#### ***XPO's Participation in the Public Policy Making Process Is Limited***

XPO does not currently participate in direct political activities and its minimal government affairs activities are limited to membership in relevant trade and business organizations. At present, the company does not have a political action committee and does not make corporate contributions to groups organized under section 501(c)(4) or section 527 of the Internal Revenue Code.

XPO is a member of organizations that represent the industries of which it is a part, as well as organizations that represent broader interests that are relevant to its business activities, where membership may be beneficial to stockholders. The company's membership is oriented toward ways in which such organizations can help enhance and protect long-term stockholder value, and the company regularly evaluates the effectiveness of these organizations toward these goals. Additionally, these organizations provide important insight into circumstances and policy issues critical to the industries of which XPO is a part, as well as the company's customers and communities. These organizations may also represent other interests not relevant to XPO, and the organizations and some of its members may take positions with which XPO, or individual stockholders, do not agree. The company's membership in these organizations is evaluated appropriately with these considerations in mind.

#### ***XPO Maintains a Rigorous Oversight of Advocacy Efforts***

XPO's advocacy efforts are managed by its vice president, corporate affairs, who reviews relevant legislative and regulatory initiatives with members of senior management. Annually, at a minimum, XPO conducts a review of its trade association memberships. Any material or significant issues that arise from these reviews are shared with the Board of Directors, which oversees lobbying expenditures as part of its role in overseeing risks associated with the company's broader stakeholder engagement efforts. In addition, the Nominating, Corporate Governance and Sustainability Committee has explicit oversight of all external disclosures and related stakeholder engagement.

#### ***XPO's Disclosures are Appropriate, in line with Market Practice and Fully Comply with Reporting Requirements***

XPO fully complies with the extensive federal, state and local lobbying registration and public disclosure requirements to which it is subject. XPO frequently files required federal Lobbying Disclosure Act reports with Congress, and these reports are publicly available at <http://disclosures.house.gov>. Together, these reports satisfy the concern of the stockholder proposal by providing XPO's total federal lobbying expenditures, as well as disclosure of XPO individuals who act as lobbyists on behalf of the company and identification of any legislative bodies or executive branch agencies that were contacted.

The Board believes that the company currently provides stockholders with adequate transparency and visibility into the company's political activities, and the Board does not believe that additional detailed disclosures would be beneficial to stockholders.

**For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 5.**

### REQUIRED VOTE

Approval of a requirement that the company issue an annual report disclosing the company's political activities and related expenditures requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

### RECOMMENDATION

**Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.**

## Proposal 6: Stockholder Proposal Regarding Shareholder Approval of Senior Managers' Severance or Termination Packages

We have been notified that the SOC Investment Group, 1900 L Street NW, Suite 900, Washington, D.C. 20036 expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of December 6, 2021, it was the beneficial owner of at least \$2,000 worth of the company's common stock, and that it intends to hold at least the minimum number of shares of the company's common stock required by the SEC through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

### PROPOSAL

**RESOLVED:** Shareholders request that the Board of XPO Logistics, Inc. ("XPO") seek shareholder approval of any senior manager's new or renewed pay package that provides for severance or termination payments with an estimated value exceeding 2.99 times the sum of the executive's base salary plus target short-term bonus. "Severance or termination payments" include cash, equity or other compensation that is paid out or vests due to a senior executive's termination for any reason. Payments include those provided under employment agreements, severance plans, and change-in-control clauses in long-term equity plans, but not life insurance, pension benefits, or deferred compensation earned and vested prior to termination. "Estimated total value" includes: lump-sum payments; payments offsetting tax liabilities; perquisites or benefits not vested under a plan generally available to management employees; post-employment consulting fees or office expense; and equity awards if vesting is accelerated, or a performance condition waived, due to termination. The Board shall retain the option to seek shareholder approval after material terms are agreed upon.

**SUPPORTING STATEMENT:** Shareholder ratification of "golden parachute" severance packages with a total cost exceeding 2.99 times base salary plus target bonus better aligns management pay with shareholder interests. For instance, last year's proxy statement disclosed that if XPO terminates CEO Bradley Jacobs without cause and not pursuant to a change in control, he could receive approximately \$44 million in termination payments, just over 10 times his 2020 base salary plus short-term bonus. In the event of a change in control, CEO Jacobs could receive \$124 million in accelerated equity payouts if he remained employed, and over \$133 million in the event of a qualifying termination. Total payouts to Named Executive Officer under the latter scenario could exceed \$222 million. It is in the best interest of XPO shareholders to be protected from such lavish termination packages. Shareholders plainly cannot rely on the incumbent board to avoid excessive termination payments when left to their own devices.

### STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

#### **The XPO Board of Directors Unanimously Recommends a Vote Against the Stockholder Proposal No. 6 for the Reasons Outlined Below:**

- The proposal would unnecessarily interfere with the Compensation Committee's ability to design and implement an effective executive compensation program
- The existing executive compensation program imposes appropriate and reasonable limits on post-termination compensation
- The proposal could place XPO at a disadvantage by limiting the company's ability to attract, retain and motivate highly qualified senior executives

#### ***The Proposal Would Unnecessarily Interfere with the Compensation Committee's Ability to Design and Implement an Effective Executive Compensation Program***

As described in detail in the section of this Proxy Statement titled "Executive Compensation — Compensation Discussion and Analysis," XPO's compensation program for senior executives is premised on its pay-for-performance culture and its commitment to align executive compensation with long-term stockholder value. XPO's executive compensation program is designed to attract and retain highly qualified executives, motivate them to contribute meaningfully to the company's future success and reward them for their efficacy.

XPO's Board of Directors believes that its Compensation Committee, which is composed entirely of independent directors, is best positioned to design and implement executive compensation arrangements that are appropriate for the company and its stockholders, including with respect to severance and termination payments. To do that, the Compensation Committee and the Board of Directors must retain the flexibility and discretion to structure a competitive executive compensation program that accounts for market practices, market competitiveness and XPO's strategic, operational and financial goals. The proposal would unduly limit the Compensation Committee's ability to exercise its judgment in structuring an effective executive compensation program.

#### ***The Existing Executive Compensation Program Imposes Appropriate and Reasonable Limits on Post-Termination Compensation***

XPO's NEO employment agreements described in the section of this Proxy Statement titled "Executive Compensation — Compensation Discussion and Analysis" were approved by the Board's independent Compensation Committee with the advice of its independent compensation consultant and are fully aligned with prevailing market practices.

The agreements provide for cash severance payments equal to 12 months of base salary upon a termination of employment without cause outside the context of change in control, or a lump sum cash payment equal to two times (2.99 times in the case of the CEO) the sum of annual base salary and target annual bonus upon a termination without cause or a resignation for good reason upon or within two years following a change in control. The terms of the company's NEOs' long-term incentive and equity awards generally provide for full or prorated vesting upon a termination without cause or upon an NEO's death. The severance payments are also conditioned on the applicable NEO signing a waiver and general release of claims in favor of XPO; such payments serve as consideration for the valuable restrictive covenants (including non-competition, employee and customer non-solicitation and non-disparagement covenants) applicable to each NEO under the terms of the employment agreement.

***The Proposal Could Place XPO at a Disadvantage by Limiting the Company's Ability to Attract, Retain and Motivate Highly Qualified Senior Executives***

XPO relies on being able to provide fair and meaningful termination provisions, among other tools, to attract and retain senior executives upon whom, in large measure, the future success of the company depends. The company believes that these protections are necessary for it to remain competitive in recruiting highly qualified individuals for executive positions, as they enable the company to compete with peers who are vying for the same candidates without constraint to market-level provisions. The proposed change could have an adverse effect on the company's ability to retain and attract executive talent, particularly relative to peers that are not subject to similar arbitrary limitations on termination protections. This competitive inequity could result in executive turnover that is detrimental to the company and its stockholders.

The severance and termination payments currently in effect with the company's NEOs provide certainty that, in the event of an involuntary termination of employment or death, an NEO will be treated fairly, will receive appropriate income replacement benefits, and will remain entitled to the portion of the equity awards attributable to the service that the NEO provided during the portion of the vesting period that elapsed during employment (or in certain cases, will remain entitled to the full equity awards), subject to achievement of applicable performance goals. Accordingly, these benefits encourage retention of key executives and enable them to focus their time and energy on achieving strategic and business objectives, without undue concern or unnecessary distraction relating to potential termination

**For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 6.**

**REQUIRED VOTE**

Approval of a stockholder proposal regarding a requirement that the company's stockholders approve senior managers' severance or termination packages that exceed a certain value requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

**RECOMMENDATION**

**Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.**

## Proposal 7: Stockholder Proposal Regarding an Audit Analyzing the Company's Policies and Practices on the Civil Rights of its Stakeholders

We have been notified that the International Brotherhood of Teamsters, 25 Louisiana Avenue, NW, Washington, D.C. 20001, expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of January 4, 2021, it was the beneficial owner of 160 shares of the company's common stock with a value of at least \$2,000, and that it intends to maintain such ownership through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

### PROPOSAL

**RESOLVED:** The shareholders of XPO Logistics Inc. ("XPO"), urge the Board of Directors to oversee a third-party audit analyzing the adverse impact of the Company's policies and practices on the civil rights of company stakeholders, above and beyond legal and regulatory matters, and to provide recommendations for improving the Company's civil rights impact. Input from civil rights organizations, employees, and customers should be considered in determining the specific matters to be analyzed. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on XPO's website.

**SUPPORTING STATEMENT:** The racial justice movement together with the disproportionate impacts of the COVID-19 pandemic have focused attention on civil rights and gender and racial equity issues. XPO has responded by including Diversity, Equity, and Inclusion ("DEI") metrics in its executive compensation plans and internalizing DEI concerns into its structure. However, the integrity, scope and fulsome nature of these efforts are thrown into doubt by the lengthy list of misclassification lawsuits and regulatory actions against XPO.

Misclassification deprives workers of full wages under minimum wage and overtime work laws, leading to 'wage theft,' and other critical labor protections. Preventing misclassification is an essential element of any program to advance racial and gender equity, given that women and/or people of color are overrepresented in sectors at risk for misclassification (e.g. see <https://www.minnesotalawreview.org/wp-content/uploads/2017/02/Alexander.pdf>).

California's port drayage drivers play a vital role in the nation's supply chains, yet a California statute (SB 338) refers to them as the "last American sharecroppers," who suffer from "rampant misclassification," which "contributes to wage theft and ... a cycle of poverty." They are a "largely immigrant workforce," "particularly vulnerable to exploitation" and "often fearful to report violations to state agencies or unaware of their rights, depriving them of access to critical safety net benefits by virtue of their misclassification." These drivers have also been found to be overwhelmingly Latino (e.g. see [https://www.researchgate.net/publication/240628100\\_A\\_Study\\_of\\_Drayage\\_at\\_the\\_Ports\\_of\\_Los\\_Angeles\\_and\\_Long\\_Beach](https://www.researchgate.net/publication/240628100_A_Study_of_Drayage_at_the_Ports_of_Los_Angeles_and_Long_Beach)).

According to SB 338 there could be 16,000 misclassified drivers in California's ports, which process 40% of all shipping containers entering the country.

Critically, misclassification is a material risk for XPO. Last October, for instance, XPO agreed to pay nearly 800 drivers almost \$30 million to settle class action lawsuits concerning its Californian intermodal drayage operations, which alleged the drivers were "willfully misclassified" as independent contractors rather than employees (see <https://landline.media/xpo-settles-pair-of-port-driver-lawsuits-for-nearly-30-million/>). XPO's fiscal 2020 10-K acknowledges "numerous lawsuits" over misclassification issues that "could involve thousands of claimants" and "significant potential damages and litigation costs."

Whatever else XPO's DEI program aims to achieve, ending wage theft from vulnerable populations of XPO's workforce is surely central. Management's seeming disregard to the plight of misclassified drivers — despite numerous legal and regulatory actions — demands a third-party undertake a root-and-branch civil rights audit.

### STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

**The XPO Board of Directors Unanimously Recommends a Vote Against Stockholder Proposal No. 7 for the Reasons Below:**

- XPO champions its diverse workforce and recognizes diversity is central to the company's continued success
- XPO is committed to significant and ongoing progress with diversity, equity and inclusion
- Our Board provides robust oversight of DE&I and human capital management efforts
- Our efforts on DE&I have received strong external recognition

#### ***XPO Champions its Diverse Workforce and Recognizes Diversity is Central to the Company's Continued Success***

XPO takes seriously its commitment to value people from all backgrounds, including diversity in gender, race, ethnicity, culture, socioeconomic status, religion, sexual orientation, veteran status and disability. The company operates in diverse communities, relies on a diverse workforce and recognizes that diversity, equity and inclusion are central to its continued success.

It is important to note that XPO believes many of the assertions in the Proponent's Supporting Statement are irrelevant to the proposal itself. The Supporting Statement focuses almost exclusively on alleged worker misclassification, but fails to adequately explain how alleged misclassification undermines the company's strong diversity, equity and inclusion efforts. As one example, the Proponent states that preventing misclassification is essential to advancing equity for women, but fails to explain why that is the case, and further fails to acknowledge the numerous XPO initiatives described below that are designed to attract and retain women and provide growth opportunities for them. As a second example, the Proponent suggests that misclassification leads to "wage theft" and deprives workers of critical labor protections. In fact, this position has been contradicted by diverse independent contractors (ICs) willingly contracted with XPO, who have said that the IC model provides the flexibility they want in their work arrangements.

### ***XPO is Committed to Significant and Ongoing Progress with Diversity, Equity and Inclusion***

The Board and senior management are committed to promoting diversity, equity and inclusion (DE&I) at all levels of our organization. This includes regular reports from our Diversity, Inclusion and Belonging Steering Committee, which is charged with taking a structured approach to building an ambitious DE&I agenda, and our chief diversity officer — a position that was created in 2020 to provide culture leadership and strategic direction at the company as an advocate of diversity, equity and inclusion and which reports directly to the chief executive officer.

Like many companies, organizations and institutions, XPO has more work to do on diversity, equity and inclusion, but the company is firmly on the right path. Management regularly considers the impact of company operations on its various stakeholders, including employees, customers, suppliers and communities.

As of December 31, 2021, almost 40% of XPO's U.S. employee base identified as ethnically or racially diverse, and the total representation of Black or African American employees in XPO's U.S. base surpassed the representation in the most recent U.S. population census by seven percentage points. Approximately 30% of XPO employees in U.S. managerial positions (manager or supervisor and above) identify as ethnically or racially diverse. Women comprise approximately 45% of the company's global salaried field and non-field professional employee base, and 22% of all U.S. executive-level positions (vice president and above) — an increase of more than three percentage points from 2020. The policies and procedures the company has in place are intended to foster these critical components of its organization.

Furthermore, XPO has taken, and continues to take, important steps to advance diversity, equity and inclusion, both internally and externally, and believes that the objectives of the proposal are being fully addressed. These steps include, among others:

- Maintaining an annualized percentage of diverse hires for U.S. employees, with a target of at least 50% diverse hires annually;
- Linking ESG performance targets, including diversity, equity and inclusion initiatives, to 25% of long-term incentive compensation for the company's top executives;
- Enhancing diversity on the Board of Directors — XPO's current Board composition reflects a 50% diversity ratio, inclusive of three female directors and one Black director;
- Launching the XPO RISE program in 2021, which furthers the company's commitment to promote from within and increase gender diversity in senior leadership roles by providing cross-functional leadership experience through special projects, peer-to-peer collaboration and executive mentoring;
- Increasing the percentage of women and members of underrepresented racial and ethnic groups in managerial positions, through internal promotion;
- Advertising open positions on recruitment websites targeted toward women, military veterans, or individuals who are LGBTQ+, Black or African American, Hispanic or disabled;
- Participating in the Human Rights Campaign Corporate Equality Index, achieving a score above the average Fortune 500 company in 2021;
- Providing outlets for Black, Hispanic and multicultural employees, LGBTQ+ employees, women, veterans, working parents and employees with disabilities to share perspectives and experiences; and further developing a workplace culture of inclusion by actively soliciting input from all employees through a variety of channels to promote engagement;
- Forming academic partnerships that advance diversity in higher education, including collaboration with Historically Black Colleges and Universities and the Hispanic Association of Colleges and Universities;
- Investing in the Grow at XPO program, which is intended primarily to create opportunities for employees from minority populations or underrepresented communities — the program provides tailored training and mentoring for employees who aspire to grow into higher-paying positions at XPO with more responsibility;
- Offering inclusivity courses through the XPO University e-learning portal;
- Promoting diversity through heritage month celebrations, including Black history, women's history, LGBTQ+ pride, Hispanic heritage, Native American heritage, Asian American heritage and appreciation of military veterans;
- Participating in hundreds of endeavors annually that serve communities and reflect the company's values, including XPO's support of the Susan G. Komen Foundation, Truckers Against Trafficking, Soles4Souls, Girls With Impact, Toys for Tots, Elves & More and the Make-A-Wish Foundation, among others; and



- Utilizing a robust ESG scorecard with more than 40 defined ESG targets and initiatives that span a four-year period through 2023. The company's ESG scorecard deliverables are organized into categories tied to performance, including employee safety, sustainability, information security, and diversity and human capital management, among others.

### ***Our Board Provides Robust Oversight of DE&I and Human Capital Management Efforts***

Our Board is actively involved in providing oversight of the company's human resource management efforts and initiatives. Our directors have access to information about our human resources operations and plans, and our chief human resources officer speaks regularly at meetings of our Board. We constantly work to maintain our position as an employer of choice, which includes ongoing improvements to our DE&I efforts, talent development and engagement and total rewards.

Additionally, the company is committed to supporting the health, safety, well-being and satisfaction of our workforce, as evidenced by our significant investments in special measures during COVID-19, such as 100% paid pandemic sick leave for eligible employees, personal protective equipment for employees in all workplaces, a contactless delivery policy, and expanded access to mental health counseling services. XPO will continue to prioritize employee safety while complying with applicable federal, state and local standards.

### ***Our Efforts on DE&I Have Received Strong External Recognition***

XPO's efforts to promote diversity have been recognized by numerous organizations, including *Newsweek*, which named XPO one of America's Most Responsible Companies in December 2021 based on a combination of social, environmental and corporate governance scores and gave XPO the highest environmental score of any road transportation provider in the Transport and Logistics category; by the Women in Trucking Association, which named XPO one of the transportation industry's top companies for women to work for in October 2021; and by DiversityJobs.com as a Top Diversity Employer in the field of transportation, logistics and supply chain in 2022.

The Board of Directors believes that adoption of the proposal would not be in the best interest of XPO's stockholders because the requested civil rights audit is unnecessary in light of the comprehensive diversity, equity and inclusion initiatives XPO already has in place, and would require company resources without providing tangible value. XPO's corporate leadership and Board of Directors are fully committed to ongoing efforts to advance racial and gender equity and will continue to promote a culture of diversity, equity and inclusion at all levels of the organization.

**For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 7.**

### **REQUIRED VOTE**

Approval of a stockholder proposal regarding a requirement to conduct a third-party audit analyzing the adverse impact of the company's policies and practices on the civil rights of its stakeholders requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock at the annual meeting at which a quorum is present.

### **RECOMMENDATION**

**Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.**

### **OTHER MATTERS**

We do not expect that any matter other than the foregoing proposals will be brought before the Annual Meeting. If, however, such a matter is properly presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, the persons appointed as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, in accordance with their judgment.

# ADDITIONAL INFORMATION

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## **AVAILABILITY OF ANNUAL REPORT AND PROXY STATEMENT**

If you would like to receive a copy of our 2021 Annual Report or this Proxy Statement, please contact us at Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831 or by email at [investors@xpo.com](mailto:investors@xpo.com), and we will send a copy to you without charge.

## **A NOTE ABOUT OUR WEBSITE**

Although we include references to our website, [www.xpo.com](http://www.xpo.com), and certain additional third-party websites, throughout this Proxy Statement, information that is included on our website is not incorporated by reference into, and is not a part of, this Proxy Statement. Our website address is included as an inactive textual reference only.

We use our website as one means of disclosing material non-public information and for complying with our disclosure obligations under the SEC's Regulation FD. Such disclosures typically will be included within the Investor Relations section of our website. Accordingly, investors should monitor the Investor Relations section of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

# ANNEX A— RECONCILIATION OF NON-GAAP MEASURES AND FORWARD-LOOKING STATEMENTS

## CONSOLIDATED RECONCILIATION OF INCOME (LOSS) FROM CONTINUING OPERATIONS TO ADJUSTED EBITDA

Unaudited

\$ in millions

	Years Ended December 31,	
	2021	2020
<b>Income (loss) from continuing operations</b>	<b>\$ 323</b>	<b>\$ (13)</b>
Debt extinguishment loss	54	—
Interest expense	211	307
Income tax provision (benefit)	87	(22)
Depreciation and amortization expense	476	470
Unrealized (gain) loss on foreign currency option and forward contracts	1	(1)
Litigation settlements	31	—
Transaction and integration costs	37	75
Restructuring costs	19	31
<b>Adjusted EBITDA</b>	<b><u>\$1,239</u></b>	<b><u>\$847</u></b>

## CONSOLIDATED RECONCILIATION OF NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS TO ADJUSTED NET INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREHOLDERS AND ADJUSTED DILUTED EARNINGS FROM CONTINUING OPERATIONS PER SHARE (“ADJUSTED DILUTED EPS”)

Unaudited

\$ in millions, except per share data

	Years Ended December 31,	
	2021	2020
Net income (loss) from continuing operations attributable to common shareholders	\$ 323	\$ (41)
Preferred stock conversion charge <sup>(1)</sup>	—	22
Debt extinguishment loss	54	—
Unrealized (gain) loss on foreign currency option and forward contracts	1	(1)
Amortization of acquisition-related intangible assets	86	87
ABL amendment cost	1	—
Litigation settlements	31	—
Transaction and integration costs	37	75
Restructuring costs	19	31
Income tax associated with the adjustments above	(56)	(66)
Discrete and other tax-related adjustments	(5)	—
Allocation of undistributed earnings	—	(15)
<b>Adjusted net income from continuing operations attributable to common shareholders</b>	<b><u>\$ 491</u></b>	<b><u>\$ 92</u></b>
<b>Adjusted diluted earnings from continuing operations per share (“adjusted diluted EPS”)</b>	<b><u>\$4.30</u></b>	<b><u>\$1.01</u></b>
<b>Weighted-average common shares outstanding</b>		
Diluted weighted-average common shares outstanding	114	92

<sup>(1)</sup> Relates to the 2020 conversion of 69,445 shares of the company’s Series A Preferred Stock.

## RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS TO FREE CASH FLOW

Unaudited  
\$ in millions

	Years Ended December 31,	
	2021	2020
Net cash provided by operating activities from continuing operations	\$ 656	\$ 388
Payment for purchases of property and equipment	(313)	(303)
Proceeds from sales of property and equipment	132	183
<b>Free Cash Flow</b>	<b>\$ 475</b>	<b>\$ 268</b>

## RECONCILIATION OF NORTH AMERICAN TRUCK BROKERAGE REVENUE TO MARGIN

Unaudited  
\$ in millions

	Years Ended December 31,		
	2021	2020	Change %
<b>Revenue</b>	<b>\$2,749</b>	<b>\$1,684</b>	<b>63.2%</b>
Cost of transportation and services (exclusive of depreciation and amortization)	2,322	1,398	
<b>Margin<sup>(1)</sup></b>	<b>\$ 427</b>	<b>\$ 286</b>	<b>49.3%</b>

<sup>(1)</sup> Margin is calculated as revenue less cost of transportation and services (exclusive of depreciation and amortization)

## RECONCILIATION OF NORTH AMERICAN LESS THAN TRUCKLOAD REVENUE TO ADJUSTED OPERATING RATIO, ADJUSTED EBITDA AND NET CASH GENERATED FROM ADJUSTED EBITDA

Unaudited  
\$ in millions

	Years Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015 <sup>(8)</sup>
Revenue (excluding fuel surcharge revenue)	\$3,486	\$3,106	\$3,259	\$3,230	\$3,140	\$3,035	\$3,081
Fuel surcharge revenue	632	433	532	552	455	370	448
<b>Revenue</b>	<b>4,118</b>	<b>3,539</b>	<b>3,791</b>	<b>3,782</b>	<b>3,595</b>	<b>3,405</b>	<b>3,529</b>
Salaries, wages and employee benefits	1,907	1,740	1,783	1,751	1,697	1,676	1,726
Purchased transportation	452	334	397	400	438	438	508
Fuel and fuel-related taxes	282	186	264	293	234	191	230
Other operating expenses	553	494	471	590	555	514	629
Depreciation and amortization	226	224	227	243	233	203	164
Rents and leases	79	65	49	44	42	41	49
Transaction, integration and rebranding costs	1	5	—	—	19	24	21
Restructuring costs	—	4	3	3	—	—	—
<b>Operating income</b>	<b>618</b>	<b>487</b>	<b>597</b>	<b>458</b>	<b>377</b>	<b>318</b>	<b>202</b>
<b>Operating ratio<sup>(1)</sup></b>	<b>85.0%</b>	<b>86.2%</b>	<b>84.3%</b>	<b>87.9%</b>	<b>89.5%</b>	<b>90.7%</b>	<b>94.3%</b>
Other income <sup>(2)</sup>	58	43	22	29	12	—	—
Amortization expense	33	34	34	33	34	34	10
Transaction, integration and rebranding costs	1	5	—	—	19	24	21
Restructuring costs	—	4	3	3	—	—	—
Depreciation adjustment from updated purchase price allocation of acquired assets	—	—	—	—	—	(2)	—
<b>Adjusted operating income</b>	<b>\$ 710</b>	<b>\$ 573</b>	<b>\$ 656</b>	<b>\$ 523</b>	<b>\$ 442</b>	<b>\$ 374</b>	<b>\$ 233</b>
<b>Adjusted operating ratio<sup>(3)</sup></b>	<b>82.7%</b>	<b>83.8%</b>	<b>82.7%</b>	<b>86.2%</b>	<b>87.7%</b>	<b>89.0%</b>	<b>93.4%</b>
Depreciation expense	193	190	193	210	199	169	154
Other	1	1	2	—	6	4	(6)
<b>Adjusted EBITDA<sup>(4)</sup></b>	<b>\$ 904</b>	<b>\$ 764</b>	<b>\$ 851</b>	<b>\$ 733</b>	<b>\$ 647</b>	<b>\$ 547</b>	<b>\$ 381</b>
<b>Adjusted EBITDA Margin<sup>(5)</sup></b>	<b>21.9%</b>						
Gains on real estate transactions	(62)	(77)	(88)	(2)	(5)	—	—
<b>Adjusted EBITDA, excluding gains on real estate transactions</b>	<b>\$ 842</b>	<b>\$ 687</b>	<b>\$ 763</b>	<b>\$ 731</b>	<b>\$ 642</b>	<b>\$ 547</b>	<b>\$ 381</b>
<b>Adjusted operating income, excluding gains on real estate transactions</b>	<b>\$ 648</b>						<b>\$ 233</b>
<b>Adjusted operating ratio, excluding gains on real estate transactions<sup>(3)</sup></b>	<b>84.3%</b>						<b>93.4%</b>
Payment for purchases of property and equipment	\$ (155)	\$ (102)	\$ (153)	\$ (112)	\$ (88)	\$ (130)	
<b>Net cash generated from operating income<sup>(6)</sup></b>	<b>\$ 463</b>	<b>\$ 385</b>	<b>\$ 444</b>	<b>\$ 346</b>	<b>\$ 289</b>	<b>\$ 188</b>	
<b>Net cash generated from adjusted EBITDA<sup>(7)</sup></b>	<b>\$ 687</b>	<b>\$ 585</b>	<b>\$ 610</b>	<b>\$ 619</b>	<b>\$ 554</b>	<b>\$ 417</b>	

<sup>(1)</sup> Operating ratio is calculated as  $(1 - (\text{operating income} / \text{revenue}))$

<sup>(2)</sup> Other income primarily consists of pension income

<sup>(3)</sup> Adjusted operating ratio is calculated as  $(1 - (\text{adjusted operating income} / \text{revenue}))$ ; adjusted operating margin is the inverse of adjusted operating ratio

<sup>(4)</sup> Adjusted EBITDA is used by our chief operating decision maker to evaluate segment profit (loss) in accordance with ASC 280

<sup>(5)</sup> Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue

<sup>(6)</sup> Net cash generated from operating income is calculated as operating income less payments for purchases of property and equipment.

<sup>(7)</sup> Net cash generated from adjusted EBITDA is calculated as adjusted EBITDA, excluding gains on real estate transactions, less payments for purchases of property and equipment. The company also refers to this measure as net cash from LTL.

<sup>(8)</sup> 2015 represents full year results; the company acquired North American LTL in Q4 2015.

## NON-GAAP FINANCIAL MEASURES

As required by the rules of the Securities and Exchange Commission (“SEC”), we provide reconciliations of the non-GAAP financial measures contained in this document to the most directly comparable measures under GAAP, which are set forth in the financial tables above.

XPO’s non-GAAP financial measures used in this document include: adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”); adjusted net income from continuing operations attributable to common shareholders and adjusted diluted earnings from continuing operations per share (“adjusted EPS”); margin (revenue less cost of transportation and services) for our North American truck brokerage business; free cash flows; adjusted operating income (including and excluding gains on real estate transactions) for our North American less-than-truckload segment; and adjusted operating ratio (including and excluding gains on real estate transactions) for our North American less-than-truckload segment.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments’ core operating performance, and may assist investors with comparisons to prior periods and assessing trends in our underlying businesses. Other companies may calculate these non-GAAP financial measures differently, and therefore our measures may not be comparable to similarly titled measures of other companies. These non-GAAP financial measures should only be used as supplemental measures of our operating performance.

Adjusted EBITDA, adjusted net income from continuing operations attributable to common shareholders and adjusted EPS include adjustments for transaction and integration costs, as well as restructuring costs, litigation settlements and other adjustments as set forth in the tables above. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition, divestiture or spin-off and may include transaction costs, consulting fees, retention awards, and internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating XPO’s and each business segment’s ongoing performance.

We believe that free cash flow is an important measure of our ability to repay maturing debt or fund other uses of capital that we believe will enhance stockholder value. We calculate free cash flow as net cash provided by operating activities from continuing operations, less payment for purchases of property and equipment plus proceeds from sale of property and equipment.

We believe that adjusted EBITDA improves comparability of our operating results from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), litigation settlements, tax impacts and other adjustments as set out in the tables above that management has determined are not reflective of core operating activities thereby assisting investors with assessing trends in our underlying businesses. We believe that adjusted net income from continuing operations attributable to common shareholders and adjusted EPS improve the comparability of our operating results from period to period by removing the impact of certain costs and gains that management has determined are not reflective of our core operating activities, including amortization of acquisition-related intangible assets, litigation settlements, transaction and integration costs, restructuring costs and other adjustments as set out in the tables above. We believe that margin (revenue less cost of transportation and services) improves the comparability of our operating results from period to period by removing the cost of transportation and services, in particular the cost of fuel, incurred in the reporting period as set out in the tables above. We believe that adjusted operating income and adjusted operating ratio improve the comparability of our operating results from period to period by (i) removing the impact of certain transaction and integration costs and restructuring costs, as well as amortization expenses and (ii) including the impact of pension income incurred in the reporting period as set out in the tables above.

With respect to our financial target for full year 2022 adjusted EBITDA, a reconciliation of this non-GAAP measure to the corresponding GAAP measure is not available without unreasonable effort due to the variability and complexity of the reconciling items described above that we exclude from this non-GAAP target measures. The variability of these items may have a significant impact on our future GAAP financial results and, as a result, we are unable to prepare the forward-looking statement of income prepared in accordance with GAAP that would be required to produce such a reconciliation.

## FORWARD-LOOKING STATEMENTS

*This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to the planned spin-off and divestitures, the expected timing of the transactions and the anticipated benefits of the transactions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” “trajectory” or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.*

*These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include our ability to effect the spin-off and meet the related conditions, our ability to complete the divestiture of our European freight transportation business, the expected timing of the completion of the transactions and the terms of the transactions, our ability to realize the expected benefits of the transactions, our ability to retain and attract key personnel for the separate businesses, the risks discussed in our filings with the SEC and the following: economic conditions generally; the severity, magnitude, duration and aftereffects of the COVID-19 pandemic, including supply chain disruptions due to plant and port shutdowns and transportation delays, the global shortage of certain components such as semiconductor chips, strains on production or extraction of raw materials, cost inflation and labor and equipment shortages, which may lower levels of service, including the timeliness, productivity and quality of service, and government responses to these factors; our ability to align our investments in capital assets, including equipment, service centers and warehouses, to our customers' demands; our ability to implement our cost and revenue initiatives; the effectiveness of our action plan, and other management actions, to improve our North American LTL business; our ability to benefit from a sale, spin-off or other divestiture of one or more business units, and the impact of anticipated material compensation and other expenses, including expenses related to the acceleration of equity awards, to be incurred in connection with a substantial disposition; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; goodwill impairment, including in connection with a business unit sale, spin-off or other divestiture; matters related to our intellectual property rights; fluctuations in currency exchange rates; fuel price and fuel surcharge changes; natural disasters, terrorist attacks, wars or similar incidents; risks and uncertainties regarding the expected benefits of the spin-off of our logistics segment or a future spin-off of a business unit; the impact of the spin-off of our logistics segment or a future spin-off of a business unit on the size and business diversity of our company; the ability of the spin-off of our logistics segment or a future spin-off of a business unit to qualify for tax-free treatment for U.S. federal income tax purposes; our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems; our indebtedness; our ability to raise debt and equity capital; fluctuations in fixed and floating interest rates; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; labor matters, including our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees and independent contractors; our diversity, equity and inclusion initiatives and the anticipated benefits thereof; litigation, including litigation related to alleged misclassification of independent contractors and securities class actions; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; the impact of potential sales of common stock by our chairman; governmental regulation, including trade compliance laws, as well as changes in international trade policies and tax regimes; governmental or political actions, including the United Kingdom's exit from the European Union; and competition and pricing pressures.*

*All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.*

*Where required by law, no binding decision will be made with respect to the divestiture of the European business other than in compliance with applicable employee information and consultation requirements.*

# ANNEX B— AMENDMENT NO. 3 TO THE XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

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## **XPO LOGISTICS, INC. AMENDMENT NO. 3 TO THE 2016 OMNIBUS INCENTIVE COMPENSATION PLAN**

THIS AMENDMENT NO. 3 (this "Amendment") to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the "Board") of XPO Logistics, Inc., a Delaware corporation (the "Company"), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company's stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company's stockholders at the annual meeting of stockholders held on May 18, 2022 (the date of such approval, the "Effective Date").

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:  
"Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 9,546,940, (the "Plan Share Limit"), of which 5,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "Plan ISO Limit")."
2. The first sentence of Section 10(b) of the Plan is hereby deleted and replaced in its entirety with the following:  
"No Award shall be granted under the Plan after May 18, 2032."
3. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
4. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

# ANNEX C— XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

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## XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

SECTION 1. *Purpose.* The purpose of this XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (the “*Plan*”) is to promote the interests of the Company and its stockholders by (a) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company (as defined below) and its Affiliates (as defined below) and (b) enabling such individuals to participate in the long-term growth and financial success of the Company. This Plan is intended to replace the Prior Company Plan and the Prior Con-way Plan (each as defined below and, together, the “*Prior Plans*”), which Prior Plans shall be frozen with respect to future grants on the Approval Date (as defined below). The Prior Company Plan (as originally adopted and prior to its amendment and restatement in 2012) previously replaced and superseded the Option Plan (as defined below). Notwithstanding the foregoing, any awards granted under the Prior Plans or the Option Plan shall remain in effect pursuant to their respective terms.

SECTION 2. *Definitions.* As used herein, the following terms shall have the meanings set forth below:

“*Affiliate*” means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and/or (b) any entity in which the Company has a significant equity interest, in either case, as determined by the Committee.

“*Approval Date*” means December 20, 2016, the date on which the Plan is approved by the Company’s stockholders.

“*Award*” means any award that is permitted under SECTION 6 and was granted under the Plan or the Prior Plans and any award that is permitted under Article 6 of the Option Plan and was granted under the Option Plan.

“*Award Agreement*” means any written or electronic agreement, contract or other instrument or document evidencing any Award, which may (but need not) require execution or acknowledgment by a Participant.

“*Applicable Exchange*” means the New York Stock Exchange LLC or any other national stock exchange or quotation system on which the Shares may be listed or quoted.

“*Board*” means the Board of Directors of the Company.

“*Cash Incentive Award*” means an Award (a) that is granted pursuant to SECTION 6(g) of the Plan, (b) that is settled in cash and (c) the value of which is set by the Committee and is not calculated by reference to the Fair Market Value of Shares.

“*Change of Control*” shall (a) have the meaning set forth in an Award Agreement; *provided, however*, that except in the case of a transaction described in subparagraph (b)(iii) below, any definition of Change of Control set forth in an Award Agreement shall provide that a Change of Control shall not occur until consummation or effectiveness of a change in control of the Company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, would result in a change in control of the Company, or (b) if there is no definition set forth in an Award Agreement, mean the occurrence of any of the following events:

- (i) during any period, individuals who were directors of the Company on the first day of such period (the “*Incumbent Directors*”) cease for any reason to constitute a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the first day of such period whose election, or nomination by the Board for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (including without limitation any settlement thereof);
- (ii) the consummation of (A) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (each of the events referred to in this clause (A) being hereinafter referred to as a “*Reorganization*”) or (B) the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate (a “*Sale*”), in each case, if such Reorganization or Sale requires the approval of the Company’s stockholders under the law of the Company’s jurisdiction of organization (whether such approval is required for such Reorganization or Sale or for the issuance of securities of the Company in such Reorganization or Sale), unless, immediately following such Reorganization or Sale, (1) individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor



rule thereto)) of the securities eligible to vote for the election of the Board ("**Company Voting Securities**") outstanding immediately prior to the consummation of such Reorganization or Sale continue to beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization or Sale (including a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (the "**Continuing Company**") in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale (excluding, for such purposes, any outstanding voting securities of the Continuing Company that such beneficial owners hold immediately following the consummation of the Reorganization or Sale as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization or Sale other than the Company), (2) no "person" (as such term is used in Section 13(d) of the Exchange Act) (each, a "**Person**") (excluding (x) any employee benefit plan (or related trust) sponsored or maintained by the Continuing Company or any corporation controlled by the Continuing Company and (y) any one or more Specified Stockholders) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding voting securities of the Continuing Company and (3) at least 50% of the members of the board of directors of the Continuing Company (or equivalent body) were Incumbent Directors at the time of the execution of the definitive agreement providing for such Reorganization or Sale or, in the absence of such an agreement, at the time at which approval of the Board was obtained for such Reorganization or Sale;

- (iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company unless such liquidation or dissolution is part of a transaction or series of transactions described in paragraph (ii) above that does not otherwise constitute a Change of Control; or
- (iv) any Person, corporation or other entity or "group" (as used in Section 14(d)(2) of the Exchange Act) (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (C) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the voting power of the Company Voting Securities or (D) any one or more Specified Stockholders, including any group in which a Specified Stockholder is a member) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company Voting Securities; **provided, however**, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, (y) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or any acquisition by a pledgee of Company Voting Securities holding such securities as collateral or temporarily holding such securities upon foreclosure of the underlying obligation or (z) any acquisition pursuant to a Reorganization or Sale that does not constitute a Change of Control for purposes of subparagraph (ii) above.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"**Committee**" means the Compensation Committee of the Board or a subcommittee thereof, or such other committee of the Board as may be designated by the Board to administer the Plan.

"**Company**" means XPO Logistics, Inc., a corporation organized under the laws of Delaware, together with any successor thereto.

"**Deferred Share Unit**" means a deferred share unit Award that represents an unfunded and unsecured promise to deliver Shares in accordance with the terms of the applicable Award Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"**Exercise Price**" means (a) in the case of each Option, the price specified in the applicable Award Agreement as the price-per-Share at which Shares may be purchased pursuant to such Option or (b) in the case of each SAR, the price specified in the applicable Award Agreement as the reference price-per-Share used to calculate the amount payable to the applicable Participant pursuant to such SAR.

"**Fair Market Value**" means, except as otherwise provided in the applicable Award Agreement, (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to Shares as of any date, (i) the closing per-share sales price of the Shares as reported by the Applicable Exchange for such stock exchange for such date or if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"**Incentive Stock Option**" means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is intended to qualify for special Federal income tax treatment pursuant to Sections 421 and 422 of the Code, as now constituted or subsequently amended, or pursuant to a successor provision of the Code, and which is so designated in the applicable Award Agreement.

"**Independent Director**" means a member of the Board (a) who is neither an employee of the Company nor an employee of any Affiliate, and (b) who, at the time of acting, is a "Non-Employee Director" under Rule 16b-3.

**“Nonqualified Stock Option”** means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is not an Incentive Stock Option.

**“Option”** means an Incentive Stock Option or a Nonqualified Stock Option or both, as the context requires.

**“Option Plan”** means the Express-1 Expedited Solutions, Inc. Amended and Restated 2001 Stock Option Plan.

**“Participant”** means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or its Affiliates who is eligible for an Award under SECTION 5 and who is selected by the Committee to receive an Award under the Plan or who receives a Substitute Award pursuant to SECTION 4(c).

**“Performance Compensation Award”** means any Award designated by the Committee as a Performance Compensation Award pursuant to SECTION 6(e) of the Plan.

**“Performance Criteria”** means the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award under the Plan.

**“Performance Formula”** means, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award of a particular Participant, whether all, some portion but less than all, or none of such Award has been earned for the Performance Period.

**“Performance Goal”** means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

**“Performance Period”** means the one or more periods of time as the Committee may select over which the attainment of one or more Performance Goals shall be measured for the purpose of determining a Participant’s right to and the payment of a Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award.

**“Performance Unit”** means an Award under SECTION 6(f) of the Plan that has a value set by the Committee (or that is determined by reference to a valuation formula specified by the Committee or the Fair Market Value of Shares), which value may be paid to the Participant by delivery of such property as the Committee shall determine, including without limitation, cash or Shares, or any combination thereof, upon achievement of such Performance Goals during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.

**“Prior Company Plan”** means the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan.

**“Prior Con-way Plan”** means the Con-way Inc. 2012 Equity and Incentive Plan.

**“Restricted Share”** means a Share that is granted under SECTION 6(d) of the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

**“RSU”** means a restricted stock unit Award that is granted under SECTION 6(d) of the Plan and is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

**“Rule 16b-3”** means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act or any successor rule or regulation thereto as in effect from time to time.

**“SAR”** means a stock appreciation right Award that is granted under SECTION 6(c) of the Plan and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the Exercise Price per Share of the SAR, subject to the terms of the applicable Award Agreement.

**“SEC”** means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

**“Shares”** means shares of common stock of the Company, \$0.001 par value, or such other securities of the Company (a) into which such shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (b) as may be determined by the Committee pursuant to SECTION 4(b).

**“Specified Stockholder”** means Bradley S. Jacobs, Jacobs Private Equity LLC and its Affiliates, or any other entity or organization controlled, directly or indirectly, by Bradley S. Jacobs.

**“Subsidiary”** means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

**“Substitute Awards”** shall have the meaning specified in SECTION 4(c).

“*Treasury Regulations*” means all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

### SECTION 3. *Administration.*

(a) **Composition of the Committee.** The Plan shall be administered by the Committee, which shall be composed of one or more directors, as determined by the Board; **provided** that, to the extent necessary to comply with the rules of the Applicable Exchange and Rule 16b-3 and to satisfy any applicable requirements of Section 162(m) of the Code and any other applicable laws or rules, the Committee shall be composed of two or more directors, all of whom shall be Independent Directors and all of whom shall (i) qualify as “outside directors” under Section 162(m) of the Code and (ii) meet the independence requirements of the Applicable Exchange.

(b) **Authority of the Committee.** Subject to the terms of the Plan and applicable law, and in addition to the other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have sole and plenary authority to administer the Plan, including the authority to (i) designate Participants, (ii) determine the type or types of Awards to be granted to a Participant, (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards, (iv) determine the terms and conditions of any Awards, (v) determine the vesting schedules of Awards and, if certain performance criteria must be attained in order for an Award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee, (viii) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, the Prior Plans or the Option Plan, (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xi) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan, the Prior Plans or the Option Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) **Committee Decisions.** Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) **Indemnification.** No member of the Board, the Committee or any employee of the Company (each such person, a “**Covered Person**”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person shall be indemnified and held harmless by the Company from and against (i) any loss, cost, liability or expense (including attorneys’ fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company’s approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; **provided** that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, in each case, as may be amended from time to time. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(e) **Delegation of Authority to Officers.** The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more officers of the Company the authority to make grants of Awards to officers (other than any officer subject to Section 16 of the Exchange Act), employees and consultants of the Company and its Affiliates (including any prospective officer (other than any such officer who is expected to be subject to Section 16 of the Exchange Act), employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

(f) **Awards to Independent Directors.** Notwithstanding anything to the contrary contained herein, the Board may, in its sole and plenary discretion, at any time and from time to time, grant Awards to Independent Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Committee herein.

#### SECTION 4. *Shares Available for Awards; Cash Payable Pursuant to Awards.*

(a) **Shares and Cash Available.** Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 3,400,000, (the “*Plan Share Limit*”), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the “*Plan ISO Limit*”). If, after the effective date of the Plan, any Award is forfeited (or otherwise expires, terminates or is canceled without the delivery of all Shares subject thereto), then, in any such case, any number of Shares subject to such Award that were not issued with respect to such Award shall not be treated as issued for purposes of reducing the Plan Share Limit. Notwithstanding the foregoing and for the avoidance of doubt, if Shares issued upon exercise, vesting or settlement of an Award are, or Shares owned by a Participant are, surrendered or tendered to the Company in payment of the Exercise Price of an Award (including any SAR) or any taxes required to be withheld in respect of an Award or if any Award based on the Fair Market Value of a Share is settled other than wholly by delivery of Shares (including cash settlement), in any such case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares or Awards not settled with Shares shall *not* again become available to be delivered pursuant to Awards under the Plan or increase the Plan ISO Limit. With respect to Awards that are intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, subject to adjustment as provided in SECTION 4(b), (1) in the case of Awards that are settled in Shares, the maximum aggregate number of Shares with respect to which Awards may be granted to any Participant in any fiscal year of the Company under the Plan shall be 2,500,000 (such amount, the “*Annual Individual Plan Share Limit*”), and (2) in the case of Awards that are settled in cash based on the Fair Market Value of a Share, the maximum aggregate amount of cash that may be paid pursuant to Awards granted to any Participant in any fiscal year of the Company under the Plan shall be equal to the per-Share Fair Market Value as of the relevant vesting, payment or settlement date multiplied by the Annual Individual Plan Share Limit. In the case of all Awards other than those described in the preceding sentence, the maximum aggregate amount of cash and other property (valued at its Fair Market Value) other than Shares that may be paid or delivered pursuant to Awards under the Plan to any Participant in any fiscal year of the Company shall be equal to \$10,000,000. The maximum value of Shares available to be granted pursuant to Awards to any Independent Director under the Plan in any fiscal year of the Company shall be equal to \$350,000 as of the applicable date of grant. Subject to adjustment as provided in Section 4(b), the maximum number of Shares available to be granted under the Plan pursuant to Incentive Stock Options to any Participant in any fiscal year of the Company shall be equal to 2,500,000 (the “*Annual Individual ISO Limit*”).

#### (b) *Adjustments for Changes in Capitalization and Similar Events.*

- (i) In the event of any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Committee shall equitably adjust any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (1) the Plan Share Limit, (2) the Plan ISO Limit, (3) the Annual Individual Plan Share Limit, and (4) the Annual Individual ISO Limit, and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price, if applicable, with respect to any Award; *provided, however*, that the Committee shall determine the method and manner in which to effect such equitable adjustment.
- (ii) In the event that the Committee determines that any reorganization, merger, consolidation, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares (including any Change of Control) such that an adjustment is determined by the Committee in its discretion to be appropriate or desirable, then the Committee may (A) in such manner as it may deem appropriate or desirable, equitably adjust any or all of (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (W) the Plan Share Limit, (X) the Plan ISO Limit, (Y) the Annual Individual Plan Share Limit, and (Z) the Annual Individual ISO Limit, and (2) the terms of any outstanding Award, including (X) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (Y) the Exercise Price, if applicable, with respect to any Award, (B) if deemed appropriate or desirable by the Committee, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (C) if deemed appropriate or desirable by the Committee, cancel and terminate any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

(c) **Substitute Awards.** Awards may, in the discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Affiliates or a company acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines (“*Substitute Awards*”); *provided, however*, that in no event may any Substitute Award be granted in a manner that would violate the prohibitions on repricing of Options and SARs, as set forth in clauses (i), (ii) and (iii) of SECTION 7(b). The number of Shares underlying any Substitute Awards shall be counted against the Plan Share Limit; *provided, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding awards previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall not be counted against the Plan Share Limit; *provided further, however*,

that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding stock options intended to qualify for special tax treatment under Sections 421 and 422 of the Code that were previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall be counted against the maximum aggregate number of Shares available for Incentive Stock Options under the Plan.

(d) **Sources of Shares Deliverable Under Awards.** Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. **Eligibility.** Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

SECTION 6. **Awards.**

(a) **Types of Awards.** Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares, (iv) RSUs, (v) Deferred Share Units, (vi) Performance Compensation Awards, (vii) Performance Units (viii) Cash Incentive Awards and (ix) other equity-based or equity-related Awards that the Committee determines are consistent with the purpose of the Plan and the interests of the Company. Awards may be granted in tandem with other Awards. No Incentive Stock Option (other than an Incentive Stock Option that may be assumed or issued by the Company in connection with a transaction to which Section 424(a) of the Code applies) may be granted to a person who is ineligible to receive an Incentive Stock Option under the Code.

(b) **Options.**

(i) **Grant.** Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Options shall be granted, (B) subject to SECTION 4(a), the number of Shares subject to each Option to be granted to each Participant, (C) whether each Option shall be an Incentive Stock Option or a Nonqualified Stock Option and (D) the terms and conditions of each Option, including the vesting criteria, term, methods of exercise and methods and form of settlement. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any regulations related thereto, as may be amended from time to time. Each Option granted under the Plan shall be a Nonqualified Stock Option unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if, for any reason, such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; **provided** that such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Nonqualified Stock Options.

(ii) **Exercise Price.** The Exercise Price of each Share covered by each Option shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the Option is granted); **provided, however**, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the per-Share Exercise Price shall be no less than 110% of the Fair Market Value per Share on the date of the grant. Each Option is, unless otherwise specified by the Committee, intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(iii) **Vesting and Exercise.** Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Committee in the applicable Award Agreement, each Option may only be exercised to the extent that it has already vested at the time of exercise. Each Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment pursuant to SECTION 6(b)(iv) for the Shares with respect to which the Award is exercised has been received by the Company. Exercise of each Option in any manner shall result in a decrease in the number of Shares that thereafter may be available for sale under the Option and, except as expressly set forth in SECTION 4(a) and SECTION 4(c), in the number of Shares that may be available for purposes of the Plan, by the number of Shares as to which the Option is exercised. The Committee may impose such conditions with respect to the exercise of each Option, including any conditions relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(iv) **Payment.**

(A) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Company, and the Participant has paid to the Company (or the Company has withheld in accordance with SECTION 9(d)) an amount equal to any Federal, state, local and foreign income and employment taxes required to be withheld. Such payments may be made in cash (or its equivalent) or, in the Committee's sole and plenary discretion, (1) by exchanging Shares owned by the Participant (which are not the subject of any pledge or other security interest), (2) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver cash promptly to the Company, (3) by having the Company withhold Shares from the Shares otherwise issuable pursuant to the exercise of the Option or (4) through any other method (or combination of methods) as approved by the Committee; **provided** that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company, together with any Shares withheld by the Company in accordance with this SECTION 6(b)(iv) or SECTION 9(d), as of the date of such tender, is at least equal to such aggregate Exercise Price and the amount of any Federal, state, local or foreign income or employment taxes required to be withheld, if applicable.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(v) **Expiration.** Except as otherwise set forth in the applicable Award Agreement, each Option shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the Option is granted (or, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such **Option**, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the fifth **anniversary** of the date the Option is granted) and (B) three months after the date the Participant who is holding the Option ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may an Option be exercisable after the tenth anniversary of the date the Option is granted.

(c) **SARs.**

(i) **Grant.** Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom SARs shall be granted, (B) subject to SECTION 4(a), the number of SARs to be granted to each Participant, (C) the Exercise Price thereof and (D) the conditions and limitations applicable to the exercise thereof.

(ii) **Exercise Price.** The Exercise Price of each Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the SAR is granted). Each SAR is, unless otherwise specified by the Committee, intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(iii) **Vesting and Exercise.** Each SAR shall entitle the Participant to receive an amount upon exercise equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Exercise Price thereof. The Committee shall determine, in its sole and plenary discretion, whether a SAR shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing. Each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter.

(iv) **Other Terms and Conditions.** Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR; **provided, however**, that in no event may any SAR be exercisable after the tenth anniversary of the date the SAR is granted. Any determination by the Committee that is made pursuant to this SECTION 6(c)(iv) may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter.

(v) **Substitution SARs.** The Committee shall have the ability to substitute, without the consent of the affected Participant or any holder or beneficiary of SARs, SARs settled in Shares (or SARs settled in Shares or cash in the Committee's discretion) ("**Substitution SARs**") for outstanding Nonqualified Stock Options ("**Substituted Options**"); **provided** that (A) the substitution shall not otherwise result in a modification of the terms of any Substituted Option, (B) the number of Shares underlying the Substitution SARs shall be the same as the number of Shares underlying the Substituted Options and (C) the Exercise Price of the Substitution SARs shall be equal to the Exercise Price of the Substituted Options. If, in the opinion of the Company's auditors, this provision creates adverse accounting consequences for the Company, it shall be considered null and void.

(vi) **Expiration.** Except as otherwise set forth in the applicable Award Agreement, each SAR shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the SAR is granted and (B) three months after the date the Participant who is holding the SAR ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may a SAR be exercisable after the tenth anniversary of the date the SAR is granted.

(d) **Restricted Shares and RSUs.**

(i) **Grant.** Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Restricted Shares and RSUs shall be granted, (B) subject to SECTION 4(a), the number of Restricted Shares and RSUs to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company and (D) the terms and conditions of each such Award, including the vesting criteria, term, methods of exercise and methods and form of settlement.

(ii) **Transfer Restrictions.** Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; **provided, however**, that the Committee may in its discretion, determine that Restricted Shares and RSUs may be transferred by the Participant for no consideration. Each Restricted Share may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the applicable Participant, such certificates must bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of such certificates until such time as all applicable restrictions lapse.

(iii) **Payment/Lapse of Restrictions.** Each RSU shall be granted with respect to a specified number of Shares (or a number of Shares determined pursuant to a specified formula) or shall have a value equal to the Fair Market Value of a specified number of

Shares (or a number of Shares determined pursuant to a specified formula). RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. If a Restricted Share or an RSU is intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, unless the grant of such Restricted Share or RSU is contingent on satisfaction of the requirements for the payment of “qualified performance-based compensation” under Section 162(m) of the Code (whether pursuant to SECTION 6(e) of this Plan or any other plan), all requirements set forth in SECTION 6(e) must be satisfied in order for the restrictions applicable thereto to lapse.

(e) *Performance Compensation Awards.*

(i) *General.* The Committee shall have the authority, at the time of grant of any Award, to designate such Award (other than an Option or SAR) as a Performance Compensation Award in order for such Award to qualify as “qualified performance-based compensation” under Section 162(m) of the Code. Options and SARs granted under the Plan shall not be included among Awards that are designated as Performance Compensation Awards under this SECTION 6(e).

(ii) *Eligibility.* The Committee shall, in its sole discretion, designate within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) which Participants shall be eligible to receive Performance Compensation Awards in respect of such Performance Period. However, designation of a Participant as eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle such Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this SECTION 6(e). Moreover, designation of a Participant as eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant as eligible to receive an Award hereunder in any subsequent Performance Period and designation of one person as a Participant eligible to receive an Award hereunder shall not require designation of any other person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(iii) *Discretion of the Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have discretion to select (A) the length of such Performance Period, (B) the type(s) of Performance Compensation Awards to be issued, (C) the Performance Criteria that shall be used to establish the Performance Goal(s), (D) the kind(s) and/or level(s) of the Performance Goal(s) that is (are) to apply to the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and (E) the Performance Formula; *provided* that any such Performance Formula shall be objective and non-discretionary. Within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(iv) *Performance Criteria.* Notwithstanding the foregoing, the Performance Criteria that shall be used to establish the Performance Goal(s) with respect to Performance Compensation Awards shall be based on the attainment of specific levels of performance of the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and shall be limited to the following (whether per share or otherwise): (A) share price, (B) net income, earnings or earnings before or after taxes (including earnings before interest and taxes (“*EBIT*”) or earnings before interest, taxes, depreciation and amortization (“*EBITDA*”)) including, in each case, for the avoidance of doubt, on an adjusted basis, (C) operating income, profit, operating profit or economic profit, (D) capital efficiency, (E) cash flow (including specified types or categories thereof including, but not limited to, operating cash flow and free cash flow), (F) cash flow return on capital, (G) revenues (including specified types or categories thereof), (H) return on stockholders’ equity, (I) return on investment or capital, (J) return on assets, (K) gross or net profitability/profit margins, (L) objective measures of productivity or operating efficiency, (M) costs (including specified types or categories thereof), (N) budgeted expenses (operating and capital), (O) market share (in the aggregate or by segment), (P) level or amount of acquisitions (in terms of size, number of transactions or otherwise), (Q) economic value-added, (R), enterprise value, (S) book value, (T) working capital, (U) safety and accident rates, (V) days sales outstanding, (W) customer satisfaction, (X) overall or selected premium or sales, (Y) expense ratio, (Z) gross or unit margin, and (AA) total stockholder return. Such Performance Criteria may be applied on an absolute basis, be relative to one or more peer companies of the Company or indices or any combination thereof or, if applicable, be computed on an accrual or cash accounting basis. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of the applicable Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective manner the method of calculating the Performance Criteria it selects to use for such Performance Period.

(v) *Modification of Performance Goals.* The Committee is authorized to adjust or modify the calculation of a Performance Goal for a Performance Period to the extent permitted under Section 162(m) of the Code (A) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company, or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal) or (B) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or the financial statements of the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions.

(vi) *Payment of Performance Compensation Awards.*

(A) *Condition to Receipt of Payment.* A Participant must be employed by the Company or one of its Subsidiaries on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period. Notwithstanding the foregoing and to the extent permitted by Section 162(m) of the Code, in the discretion of the Committee, Performance Compensation Awards may be paid to Participants who have retired or whose employment has terminated prior to the last day of the Performance Period for which a Performance Compensation Award is made, or to the designee or estate of a Participant who died prior to the last day of a Performance Period.

(B) *Limitation.* Except as otherwise permitted by Section 162(m) of the Code, a Participant shall be eligible to receive payments in respect of a Performance Compensation Award only to the extent that (1) the Performance Goal(s) for the relevant Performance Period are achieved and certified by the Committee in accordance with SECTION 6(e)(vi)(C) and (2) the Performance Formula as applied against such Performance Goal(s) determines that all or some portion of such Participant's Performance Compensation Award has been earned for such Performance Period.

(C) *Certification.* Following the completion of a Performance Period, the Committee shall certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the objective Performance Formula. The Committee shall then determine the actual amount of each Participant's *Performance Compensation Award for the Performance Period and, in so doing, may apply negative* discretion as authorized by SECTION 6(e)(vi)(D).

(D) *Negative Discretion.* In determining the actual amount of an individual Performance Compensation Award for a Performance Period, the Committee may, in its sole and plenary discretion, reduce or eliminate the amount of the Award earned in the Performance Period, even if applicable Performance Goals have been attained and without regard to any employment agreement between the Company and a Participant.

(E) *Discretion.* Except as otherwise permitted by Section 162(m) of the Code, in no event shall any discretionary authority granted to the Committee by the Plan be used to (1) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained, (2) increase a Performance Compensation Award for any Participant at any time after the first 90 days of the Performance Period (or, if shorter, the maximum period allowed under Section 162(m) of the Code) or (3) increase the amount of a Performance Compensation Award above the maximum amount payable under SECTION 4(a) of the Plan. For the avoidance of doubt, the provisions of this Section 6(e), including without limitation this Section 6(e)(vi)(E), shall only apply to Awards (other than Options or SARs) that the Committee intends to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(F) *Form of Payment.* In the case of any Performance Compensation Award other than a Restricted Share, RSU or other equity-based Award that is subject to performance-based vesting conditions, such Performance Compensation Award shall be payable, in the discretion of the Committee, in cash or in Restricted Shares, RSUs or fully vested Shares of equivalent value and shall be paid on such terms as determined by the Committee in its discretion. Any Restricted Shares and RSUs shall be subject to the terms of this Plan (or any successor equity-compensation plan) and any applicable Award Agreement. The number of Restricted Shares, RSUs or Shares that is equivalent in value to a dollar amount shall be determined in accordance with a methodology specified by the Committee within the first 90 days of the relevant Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code).

(f) *Performance Units.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to *whom* Performance Units shall be granted.

(ii) *Value of Performance Units.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Goals in its discretion which, depending on the extent to which *they* are met during a Performance Period, will determine in accordance with SECTION 4(a) the number and/or value of Performance Units that will be paid out to the Participant.

(iii) *Earning of Performance Units.* Subject to the provisions of the Plan, after the applicable Performance Period has ended, the *holder* of Performance Units shall be entitled to receive a payout of the number and value of Performance Units earned by the Participant over the Performance Period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding Performance Goals have been achieved.

(iv) *Form and Timing of Payment of Performance Units.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, may pay earned Performance Units in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions in the applicable Award Agreement deemed appropriate by the Committee. The determination of the Committee with respect to the form and timing of payout of such Awards shall be set forth in the applicable Award Agreement. If a Performance Unit is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.



(g) *Cash Incentive Awards.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, shall have the authority to determine (A) the Participants to whom Cash Incentive Awards shall be granted, (B) subject to SECTION 4(a), the number of Cash Incentive Awards to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Cash Incentive Awards may vest or may be forfeited to the Company and (D) the other terms and conditions of the Cash Incentive Awards. Each Cash Incentive Award shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals or other payment conditions in its discretion, which, depending on the extent to which they are met during a specified performance period, shall determine the number and/or value of Cash Incentive Awards that shall be paid to the Participant.

(ii) *Earning of Cash Incentive Awards.* Subject to the provisions of the Plan, after the applicable vesting period has ended, the holder of Cash Incentive Awards shall be entitled to receive a payout of the number and value of Cash Incentive Awards earned by the Participant over the specified performance period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding performance goals or other conditions to payment have been achieved.

(iii) *Payment.* If a Cash Incentive Award is intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.

(h) *Other Stock-Based Awards.* Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, Deferred Share Units and fully vested Shares) (whether payable in cash, equity or otherwise) in such amounts and subject to such terms and conditions as the Committee shall determine; *provided* that any such Awards must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law.

(i) *Dividends and Dividend Equivalents.* In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, (ii) withholding of such amounts by the Company subject to vesting of the Award or (iii) reinvestment in additional Shares, Restricted Shares or other Awards.

(j) *Minimum Vesting Provision.* Subject to the terms of the Plan and any applicable Award Agreement, all Awards granted hereunder other than SARs, Options or Cash Incentive Awards are subject to a vesting period of at least three years following the date of grant, except that (1) a vesting period of at least one year following the date of grant is permissible if vesting is conditioned upon the achievement of performance goals, (2) any award may vest in part prior to the expiration of any vesting period (except that in no event will any portion of such awards vest prior to the first anniversary of the date of grant), and (3) up to five percent of shares available for grant under the Plan may be granted without regard to these requirements and the Committee may accelerate the vesting with respect to any such awards.

SECTION 7. *Amendment and Termination.*

(a) *Amendments to the Plan.* Subject to any applicable law or government regulation, to any requirement that must be satisfied if the Plan is intended to be a stockholder-approved plan for purposes of Section 162(m) of the Code and to the rules of the Applicable Exchange, the Plan may be amended, modified or terminated by the Board without the approval of the stockholders of the Company, except that stockholder approval shall be required for any amendment that would (i) increase the Plan Share Limit or the Plan ISO Limit, (ii) change the class of employees or other individuals eligible to participate in the Plan, (iii) constitute a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof, or (iv) result in the amendment, cancellation or action described in clause (i), (ii) or (iii) of the second sentence of SECTION 7(b) being permitted without approval by the Company’s stockholders; *provided, however*, that any adjustment under SECTION 4(b) shall not constitute an increase for purposes of SECTION 7(a)(i). No amendment, modification or termination of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Committee in the applicable Award Agreement.

(b) *Amendments to Awards.* The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofore granted, prospectively or retroactively;

*provided, however*, that, except as set forth in the Plan, unless otherwise provided by the Committee in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the applicable Participant, holder or beneficiary. Notwithstanding the preceding sentence, in no event may any Option or SAR (i) be amended to decrease the Exercise Price thereof, (ii) be cancelled at a time when its Exercise Price exceeds the Fair Market Value of the underlying Shares in exchange for another Option or SAR or any Restricted Share, RSU, other equity-based Award, award under any other equity-compensation plan or any cash payment or (iii) be subject to any action that would be treated, for accounting purposes, as a “repricing” of such Option or SAR, unless such amendment, cancellation or action is approved by the Company’s stockholders. For the avoidance of doubt, an adjustment to the Exercise Price of an Option or SAR that is made in accordance with SECTION 4(b) or SECTION 8 shall not be considered a reduction in Exercise Price or “repricing” of such Option or SAR.

(c) **Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.** Subject to SECTION 6(e)(v) and the final sentence of SECTION 7(b), the Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in SECTION 4(b) or the occurrence of a Change of Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancelation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

#### SECTION 8. *Change of Control.*

(a) **General.** The provisions of this Section 8 shall, subject to Section 4(b), apply notwithstanding any other provision of the Plan to the contrary, except to the extent the Committee specifically provides otherwise in an Award Agreement.

(b) **Impact of Change of Control.** Upon the occurrence of a Change of Control, except as otherwise provided in Section 8(e), each Award shall be replaced pursuant to Section 4(b) with an award that meets the requirements of this Section 8(b) (any award meeting the requirements of this Section 8(b), a “**Replacement Award**” and any award intended to be replaced by a Replacement Award, a “**Replaced Award**”). An Award shall meet the conditions of this Section 8(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value equal to the value of the Replaced Award as of the date of the Change of Control; (iii) if the underlying Replaced Award was an equity-based award, it relates to publicly traded equity securities of the Company or the entity surviving the Company following the Change of Control; (iv) it contains terms relating to vesting (including with respect to a termination of employment or service) that are substantially identical to those of the Replaced Award; and (v) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change of Control) as of the date of the Change of Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. If a Replacement Award is granted, the Replaced Award shall not vest upon the Change of Control. The determination whether the conditions of this Section 8(b) are satisfied shall be made by the Committee, as constituted immediately before the Change of Control, in its sole discretion.

(c) **Termination of Employment.** Upon a termination of employment or service of a Participant occurring upon or during the two years immediately following the date of a Change of Control by reason of death, disability, by the Company without Cause (as defined in Section 8(d)), or, only to the extent specified in an Award Agreement, by the Participant for “Good Reason” (as defined in Section 8(d)), (i) all Replacement Awards held by such Participant shall vest in full, be free of restrictions, and be earned in an amount equal to the full value of such Replacement Award, and (ii) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of the Plan to the contrary, any Option or SAR held by the Participant as of the date of the Change of Control that remains outstanding as of the date of such termination of employment or service may thereafter be exercised, until (A) in the case of Incentive Stock Options, the last date on which such Incentive Stock Options would be exercisable in the absence of this Section 8(c), and (B) in the case of Nonqualified Stock Options and SARs, the later of (x) the last date on which such Nonqualified Stock Option or SAR would be exercisable upon the relevant termination of employment in the absence of this Section 8(c) and (y) the earlier of (1) the first anniversary of such termination of employment or service and (2) expiration of the term of such Nonqualified Stock Option or SAR.

(d) **Definitions.** The following terms shall have the following meanings for purposes of this Section 8 only:

- (i) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “**Cause**” shall mean (A) the Participant’s dereliction of duties or gross negligence or failure to perform his duties or refusal to follow any lawful directive of the officer to whom he reports; (B) the Participant’s abuse of or dependency on alcohol or drugs (illicit or otherwise) that adversely affects his performance of duties for the Company; (C) the Participant’s commission of any fraud, embezzlement, theft or dishonesty or any deliberate misappropriation of money or other assets of the Company; (D) the Participant’s breach of any fiduciary duties of the Company; (E) any act, or failure to act, by the Participant in bad faith to the detriment of the Company; (F) the Participant’s failure to cooperate in good faith with a governmental or internal investigation of the Company or any of its directors, managers, officers or employees, if the Company requests the Participant’s cooperation; (G) the Participant’s failure to follow Company policies, including the Company’s code of conduct and/or ethics policy, as may be in effect from time to time; or (H) the Participant’s conviction of, or plea of nolo contendere to, a felony or any serious crime; **provided** that in cases where cure is possible, the Participant shall first be provided with a 15-day cure period.
- (ii) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “**Good Reason**” shall mean (A) a material breach by the Company of the Participant’s applicable Award Agreement or (B) a reduction in the Participant’s

base salary; *provided* that the Company shall first be provided with a 30-day cure period following receipt of written notice from the Participant setting forth in reasonable detail the specific conduct of the Company that is alleged to constitute Good Reason, to cease and to cure, any conduct specified in such written notice; *provided, further*, that such notice shall be provided to the Company within 45 days of the occurrence of the conduct alleged to constitute Good Reason and if, at the end of the cure period, the circumstance alleged to constitute Good Reason has not been remedied the Participant will be entitled to terminate his employment for Good Reason during the 30-day period that follows the end of the cure period. If the Participant does not terminate employment or service during such 30-day period, he will not be permitted to terminate his employment for Good Reason as a result of such event or condition.

(e) *Awards not Replaced.* Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, in the event that an Award shall not be replaced pursuant to Section 4(b) with a Replacement Award meeting the requirements of Section 8(b), any such Award that is (i) an outstanding Option or SAR then held by a Participant that is unexercisable or otherwise unvested shall automatically become exercisable or otherwise vested, as the case may be, as of immediately prior to the Change of Control, (ii) a Performance Unit, Cash Incentive Award or Award designated as a Performance Compensation Award shall be paid out as if the date of the Change of Control were the last day of the applicable Performance Period and "target" performance levels had been attained and (iii) not described in clause (i) or (ii) of this Section 8(e) then held by a Participant that is unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control. Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 8 shall be applicable only to the extent specifically provided in the Award Agreement and permitted pursuant to Section 11(e). Nothing in this Section 8 shall preclude the Company from settling upon a Change of Control an Award if it is not replaced by a Replacement Award, to the extent effectuated in accordance with Treas. Reg. § 1.409A-3(j)(ix).

#### SECTION 9. *General Provisions.*

(a) *Nontransferability.* Except as otherwise specified in the applicable Award Agreement, during the Participant's lifetime each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant's legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Board or the Committee may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability; *provided, however*, that Incentive Stock Options shall not be transferable in any way that would violate Section 1.422-2(a)(2) of the Treasury Regulations and in no event may any Award (or any rights and obligations thereunder) be transferred in any way in exchange for value. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) *No Rights to Awards.* No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) *Share Certificates.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, the Applicable Exchange and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding.*

(i) *Authority to Withhold.* A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) *Alternative Ways to Satisfy Withholding Liability.* Without limiting the generality of clause (i) above, subject to the Committee's discretion, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery of Shares owned by the Participant (which are not subject to any pledge or other security interest) having a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the Option or SAR, or the lapse of the restrictions on any other Award (in the case of SARs and other Awards, if such SARs and other Awards are settled in Shares), a number of Shares having a Fair Market Value equal to such withholding liability.

- (e) **Section 409A.**
- (i) It is intended that the provisions of the Plan comply with Section 409A of the Code, and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award.
- (ii) No Participant or the creditors or beneficiaries of a Participant shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to any Participant or for the benefit of any Participant under the Plan may not be reduced by, or offset against, any amount owing by any such Participant to the Company or any of its Affiliates.
- (iii) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (A) such Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable pursuant to an Award constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it on the first business day after such six-month period. Such amount shall be paid without interest, unless otherwise determined by the Committee, in its sole discretion, or as otherwise provided in any applicable employment agreement between the Company and the relevant Participant.
- (iv) Notwithstanding any provision of the Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to any Award as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such Participant or for such Participant's account in connection with an Award (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold such Participant harmless from any or all of such taxes or penalties.
- (f) **Award Agreements.** Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.
- (g) **No Limit on Other Compensation Arrangements.** Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares, other types of equity-based awards (subject to stockholder approval if such approval is required) and cash incentive awards, and such arrangements may be either generally applicable or applicable only in specific cases.
- (h) **No Right to Employment.** The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee or consultant of or to the Company or any Affiliate, nor shall it provide a Participant with any rights to continued service on the Board. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any directorship or consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.
- (i) **No Rights as a Stockholder.** No Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. In connection with each grant of Restricted Shares, except as provided in the applicable Award Agreement, the Participant shall be entitled to the rights of a stockholder (including the right to vote) in respect of such Restricted Shares. Except as otherwise provided in SECTION 4(b), SECTION 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.
- (j) **Governing Law.** The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.
- (k) **Severability.** If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) **Other Laws; Restrictions on Transfer of Shares.** The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole and plenary discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole and plenary discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the Federal and any other applicable securities laws.

(m) **No Trust or Fund Created.** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on one hand, and a Participant or any other Person, on the other. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or such Affiliate.

(n) **Recoupment of Awards.** Any Award Agreement may provide for recoupment by the Company of all or any portion of an Award if the Company's financial statements are required to be restated due to noncompliance with any financial reporting requirement under the Federal securities laws or as otherwise determined by the Committee. This SECTION 9(n) shall not be the Company's exclusive remedy with respect to such matters.

(o) **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(p) **Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision.** No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the Internal Revenue Service (or any successor thereto) or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or any other applicable provision.

(q) **Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.** If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.

(r) **Headings and Construction.** Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof. Whenever the words "include", "includes" or "including" are used in this Plan, they shall be deemed to be followed by the words "but not limited to".

#### SECTION 10. **Term of the Plan.**

(a) **Effective Date.** The Plan shall be effective as of the Approval Date.

(b) **Expiration Date.** No Award shall be granted under the Plan after the tenth anniversary of the Approval Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award, shall nevertheless continue thereafter.

**XPO LOGISTICS, INC.**  
**AMENDMENT NO. 1 TO THE**  
**2016 OMNIBUS INCENTIVE COMPENSATION PLAN**

THIS AMENDMENT NO. 1 (this "Amendment") to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the "Board") of XPO Logistics, Inc., a Delaware corporation (the "Company"), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company's stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company's stockholders at the annual meeting of stockholders held on May 15, 2019 (the date of such approval, the "Effective Date").

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:

"Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 5,400,000, (the "Plan Share Limit"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "Plan ISO Limit")."
2. The first sentence of Section 10(b) of the Plan is hereby deleted and replaced in its entirety with the following:

"No Award shall be granted under the Plan after May 15, 2029."
3. The Section 6(i) of the Plan is hereby deleted and replaced in its entirety with the following:

"Dividends and Dividend Equivalents. In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, or (ii) reinvestment in additional Shares, Restricted Shares or other Awards; provided, however, that no dividend or dividend equivalent may be delivered or paid in respect of an Award prior to the vesting of such Award."
4. The first sentence of Section 6(b)(iii) of the Plan is hereby deleted and replaced with the following:

"Subject to Section 6(j), each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter."
5. The last sentence of Section 6(c)(iii) of the Plan is hereby deleted and replaced with the following:

"Subject to Section 6(j), each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter."
6. The Section 6(j) of the Plan is hereby deleted and replaced in its entirety with the following:

"Minimum Vesting Provision. All Awards granted hereunder shall be subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such Awards."
7. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
8. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

**XPO LOGISTICS, INC.**  
**AMENDMENT NO. 2 TO THE**  
**2016 OMNIBUS INCENTIVE COMPENSATION PLAN**

THIS AMENDMENT NO. 2 (this "Amendment") to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the "Board") of XPO Logistics, Inc., a Delaware corporation (the "Company"), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company's stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company's stockholders at the annual meeting of stockholders held on May 14, 2020 (the date of such approval, the "Effective Date").

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:

"Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 6,550,000, (the "Plan Share Limit"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "Plan ISO Limit")."

2. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
3. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-K**

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

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: 001-32172

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**XPO**Logistics

**XPO Logistics, Inc.**

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of  
incorporation or organization)

Five American Lane

Greenwich, CT

(Address of principal executive offices)

03-0450326

(I.R.S. Employer  
Identification No.)

06831

(Zip Code)

Registrant's telephone number, including area code (855) 976-6951

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

Title of each class

Trading symbol(s)

Name of each exchange on which registered

Common stock, par value \$0.001 per share

XPO

New York Stock Exchange

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

None

(Title of class)

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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$12.9 billion as of June 30, 2021, based upon the closing price of the common stock on that date.

As of February 11, 2022, there were 114,793,197 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Specified portions of the registrant's proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2022 Annual Meeting of Stockholders (the “Proxy Statement”), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

**XPO LOGISTICS, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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## PART I

In this Annual Report on Form 10-K (this “Annual Report”), “we,” “our,” “us,” “XPO Logistics, Inc.,” and “the Company” refer to XPO Logistics, Inc. and its consolidated subsidiaries, unless the context requires otherwise.

### **Cautionary Statement Regarding Forward-Looking Statements**

*This Annual Report and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” “trajectory” or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include those discussed below and the risks discussed in the Company’s other filings with the Securities and Exchange Commission (the “SEC”). All forward-looking statements set forth in this Annual Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company’s audited Consolidated Financial Statements and related notes thereto included elsewhere in this Annual Report. Forward-looking statements set forth in this Annual Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.*

## **ITEM 1. BUSINESS**

### **Company Overview**

XPO Logistics, Inc., together with its subsidiaries, is a leading provider of freight transportation services. We use our proprietary technology to move goods efficiently through our customers’ supply chains, primarily by providing less-than-truckload (“LTL”) and truck brokerage services. These two core lines of business generated the majority of our 2021 revenue and operating income.

Our company has two reportable segments — (i) North American LTL and (ii) Brokerage and Other Services — and within each segment, we are a leading provider in vast, fragmented transportation sectors with growing penetration. As of December 31, 2021, we had approximately 42,000 employees and 771 locations in 20 countries serving over 50,000 multinational, national, regional and local customers. In addition to our scale, we believe that our substantial exposure to secular industry growth trends, our first-mover advantage as an innovator and our blue-chip customer relationships are compelling competitive advantages.

We continue to closely monitor the impact of the COVID-19 pandemic and supply chain challenges on all aspects of our business, including how they affect our employees, customers and business partners. See “Impacts of COVID-19 and Supply Chain Challenges” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### *Spin-off of the Logistics Segment*

On August 2, 2021, we completed the previously announced spin-off of our Logistics segment in a transaction intended to qualify as tax-free to XPO and our stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of 100% of the outstanding common stock of GXO Logistics, Inc. (“GXO”) to XPO stockholders. XPO stockholders received one share of GXO common stock for every share of XPO common stock held at the close of business on July 23, 2021, the record date for the distribution. XPO does not beneficially own any shares of GXO’s common stock following the spin-off. GXO is an independent public company trading under the symbol “GXO” on the New York Stock Exchange. The historical results of GXO are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Unless otherwise indicated, all amounts in this Annual Report refer to continuing operations, including comparisons to the prior year.

### *North American Less-Than-Truckload Segment*

XPO is a top three provider of LTL services in North America — we have one of the industry’s largest asset-based networks of tractors, trailers, drivers and terminals, and approximately 8% share of the \$42 billion LTL market as of December 31, 2020. We provide our customers with geographic density and day-definite regional, inter-regional and transcontinental LTL freight services. Our services include cross-border U.S. freight movements to and from Mexico and Canada, as well as intra-Canada service.

We have relationships with approximately 25,000 LTL customers in North America, the majority of which are local accounts. For the year ended December 31, 2021, we delivered approximately 13 million LTL shipments.

In addition to reliable national capacity, the other key factors driving our LTL growth and margin expansion are our proprietary technology and the industry’s favorable fundamentals: limited commoditization, rational pricing dynamics, rising industrial demand and the continued growth of e-commerce, which is driving frequent shipments of freight that doesn’t require an entire truck.

Specific to XPO, we believe that we have a significant opportunity to leverage our technology to improve LTL profitability beyond the sizable margin gains we have already achieved. We use intelligent route-building to move LTL freight across North America, and proprietary visualization tools to help reduce the cost of pickups and deliveries. Our XPO Smart™ productivity tools are deployed in our LTL yards and cross-dock operations, and we have developed a pricing platform that enables our pricing experts to be much more productive and will enhance our ability to price in a dynamic marketplace.

We are taking action in the five areas of our previously announced action plan to drive growth and enhance network efficiencies in our LTL business. We began executing the plan in October 2021. The five areas of our plan are:

- *Improve network flow.* Our targeted fourth quarter 2021 initiatives have significantly improved network fluidity, while generating stronger service metrics in areas such as on-time transit and freight handling as the quarter progressed;
- *Drive pricing.* We pulled our typical January 2022 general rate increase forward to November 2021 and instituted accessorial charges for detained trailers, oversized freight and special handling, contributing to record 11% growth in yield, excluding fuel, in the fourth quarter;
- *Expand the driver base.* We graduated approximately 900 professional drivers from our driver training schools in 2021, exceeding our goal, and intend to double the number of 2021 graduates in 2022;
- *Increase trailer production.* In January 2022, we added a second production line at our Searcy, Arkansas trailer manufacturing facility. We expect to double the number of units produced in 2022 year-over-year; and

- *Expand footprint by 900 net new doors (approximately 6%) by year-end 2023.* We added a total 149 net doors to the network from October 2021 through January 2022 with the opening of three new terminals: Chicago Heights, Illinois; Sheboygan, Wisconsin; and Texarkana, Arkansas. Additionally, we plan to open new fleet maintenance shops in Ohio, Florida, New York and Nevada in the first quarter of 2022.

### *Brokerage and Other Services Segment*

XPO is the second largest truck broker worldwide, and one of the largest in North America, with approximately 3% share of the \$80 billion North American market as of December 31, 2021. Shippers create truckload demand and we place their freight with qualified carriers, pricing our service on either a spot or contract basis. Our truck brokerage business has an agile, non-asset model with a variable labor structure that generates a high return on invested capital and free cash flow conversion.

The key factors driving growth and margin expansion in our truck brokerage business are massive capacity, cutting-edge technology and favorable industry tailwinds. The demand for truckload capacity in the e-commerce and omnichannel retail sectors is growing rapidly. At the same time, more and more shippers are outsourcing to brokers and increasingly preferring brokers like XPO that offer digital capabilities.

As of December 31, 2021, we had approximately 98,000 independent truckload carriers in our global brokerage network, representing more than a million trucks. We provide our customers with digital access to truckload capacity through our XPO Connect® brokerage technology. This proprietary platform is a major differentiator for our business and, together with our pricing technology, we believe it can unlock incremental profitable growth well beyond our current levels.

Our Brokerage and Other Services segment also includes exposure to a fast-growing brokerage subsector — last mile logistics for heavy goods sold through e-commerce, omnichannel retail and direct-to-consumer channels. XPO is the largest last mile provider for heavy goods in North America.

Several other non-core brokered freight transportation modes are included in this segment, as well as our European service offering. XPO holds leading positions in key geographies in Europe: we are the No. 1 truck broker and the No. 1 LTL provider in France and Iberia (Spain / Portugal), and the No. 3 truck broker in the U.K., where we also have the largest single-owner LTL network.

### **Innovation and Sustainability**

Our first-mover advantage as an industry innovator is rooted in the more than \$3 billion we have spent on technology on all operations since 2011. We concentrate our efforts on creating “smart” supply chains that create meaningful value for our shareholders and our customers.

Technology is a major competitive differentiator for us. We use it to serve our customers better and make the most of the talent and assets within our organization. Our cloud-based ecosystem speeds the deployment of new ways to deliver transportation services to customer sectors that are increasingly interested in digitization and automation.

Environmental sustainability is another significant priority for us, and one that is increasingly connected to our technology. Our entire business model is based on transporting freight as efficiently as possible. This fosters our ability to improve our carbon footprint over time by reducing empty miles, maintaining a modern fleet and executing company-specific initiatives, such as training our drivers in eco-friendly techniques.

We’re committed to reducing the impact of our operations on the environment, especially with respect to climate change and biodiversity, while helping our customers do the same. In 2020, we developed a scorecard to provide a progressive means of evaluating the management of our Environmental, Social and Governance (“ESG”) initiatives and incentivizing long-term, successive achievements. Our ESG scorecard tracks measurable progress with our environmental initiatives over four years, taking into account lead time requirements, category weighting and target variances.

The environmental initiatives within the scorecard encompass strategic objectives of reducing fossil fuel dependency, carbon emissions and carbon footprint, nitrogen oxide emissions and waste. These objectives are

underpinned by specific goals — for example, we’re working to achieve greater fuel efficiency in our managed transportation business, with an annual goal of averaging at least seven miles per gallon every year for four years. We also set a goal to reduce carbon emissions in our LTL business by increasing the load factor rate by at least 2% over the performance period. Together with five other categories of ESG-related targets, the environmental initiatives in our ESG scorecard provide a roadmap for XPO.

As we execute our sustainability strategy, we’re focusing on three critical areas: our transportation fleet, technology and facilities.

### *Transportation Fleet*

Our business relies heavily on the availability and pricing of diesel fuel to provide our transportation services. In 2021, we switched to 100% premium diesel for our fleet. Because premium diesel is higher in cetane — analogous to octane in gasoline — it burns cleaner, lubricates better and runs more smoothly. On the road, this translates to fuel savings in the range of 1.8% to 2.5%, with commensurate reductions in carbon emissions.

Our ongoing fleet initiatives include modernizing our tractors and trailers; deploying cleaner fuels where practical, such as natural gas, biogas and electricity; expanding our use of data and software analytics to improve the efficiency of routing, loading and handling freight; and exploring the use of lighter vehicles with a smaller environmental footprint. Our scale gives us the ability to explore options locally and replicate improvements across our company.

In North American LTL, we’re investing in replacing many of our older tractors and trailers, including more than \$100 million allocated to buy approximately 1,000 new tractors in 2022. The supply chain challenges related to the COVID-19 pandemic delayed the retirement of older tractors and limited our ability to secure new models in 2021. As newer vehicles become available, we will continue to introduce trucks with 15-liter engines and automatic transmissions that improve reliability and fuel economy, while lowering emissions and extending engine life.

In Europe, over 90% of our diesel road fleet is compliant with Euro VI standards, and we have a natural gas-powered fleet of more than 250 total trucks in France, the U.K., Spain and Portugal. We also use government-approved mega-trucks in Spain to transport more freight with fewer trips. We’re currently testing the use of longer, duo-trailer vehicles that have the potential to reduce CO2 emissions by an estimated 25% to 30% per trip, compared with the same freight moved on traditional trucks. In 2021, we piloted the first fully electric commercial trucks in our fleets in Spain and France, and our last mile business uses electric vehicles for certain deliveries, reducing those emissions to zero.

Electric vehicles show promise in commercial transport applications, particularly as a zero-emission alternative to diesel for urban service. Our fleet experts are working with manufacturers to test the commercial viability of larger electric vehicles, and we put our first electric truck into service in 2021. This initiative is serving as a valuable pilot to advance our understanding of how and where to best use electric vehicles.

### *Technology*

For many of our customers, the transportation components of their supply chain account for a significant portion of their CO2 footprint. We use machine learning and other technologies, leveraged by our scale, to coordinate the movement of goods in ways that are greener, safer, more efficient and more cost-effective.

Our four key priorities are:

- *Improved utilization of truck capacity.* In our LTL business, our routing algorithms are designed to keep our trucks fuller over more miles, thus reducing “empty miles.” In our truck brokerage business, our XPO Connect® digital platform matches shippers with carriers for the optimal movements of freight, reducing inefficiencies and sourcing backhauls for carriers with empty trucks following deliveries.
- *Enhanced driver performance.* XPO drivers receive eco-training to reinforce techniques for fuel efficiency, and we digitally track drivers’ habits on the road. This helps us improve their individual driving efficiency and safety.

- *Data-driven visibility.* Our technology follows a shipment from pickup to delivery, with real-time visibility into where goods are and when they will be delivered. Digital tracking mitigates inefficiencies and allows us to assimilate data into future planning models to improve accuracy and performance.
- *Emissions reduction.* We use big data to predict freight volumes and plan capacity, which helps us determine the optimal vehicle or mode of transportation. In some cases, we can shift non-urgent loads to reliable, lower-carbon options, such as rail. In 2021, XPO moved 217,000 rail shipments in the U.S., which reduced greenhouse gas emissions by over 540,000 metric tons, compared with moving the same freight by truck.

### *Facilities*

Our expertise in the circular economy continues to enhance the eco-profile of our facilities and operating practices. We have ongoing initiatives underway to install LED lighting in our buildings, reuse pallets, right-size packaging and incorporate other environmentally friendly processes into our operations. We cut waste by reusing materials where feasible and recycling a growing share of waste.

### *Additional Information*

For more information on how XPO is working to improve sustainability through operational excellence, innovation and a progressive employment environment, see [sustainability.xpo.com](https://www.xpo.com/sustainability).

### **Our Strategy**

Our strategy is to help customers move their goods most efficiently through their supply chains. We deliver value in the form of technological innovations, process efficiencies, cost efficiencies and reliable outcomes. Our services are both highly responsive to customer goals, such as mitigating environmental impacts over time, and proactive in identifying potential improvements. Most important, we have instilled a culture that defines success as mutually beneficial results for our company and our customers.

Management's growth and optimization strategy is to:

- Market our solutions and vertical expertise to new and existing customers of all sizes, using a partnership approach that creates enduring relationships;
- Leverage our positioning to increasingly capitalize on secular trends in demand, such as the rapid growth of e-commerce and the heightened customer interest in outsourcing freight transportation;
- Recruit and retain talented sales and customer service representatives, and continuously improve their productivity with state-of-the-art training and technology;
- Attract and retain high-caliber independent contracted carriers and independent brokered carriers for our non-asset services; and
- Integrate industry best practices into our operations, with a focus on automation and analytics that drive productivity and market share gains.

Additionally, each of our core businesses executes a strategy of competitive differentiation:

- In North American LTL — recruit and retain quality drivers for our fleet, and best utilize our capacities of drivers, equipment, terminals and technology for a superior customer experience; and
- In truck brokerage — leverage the advantages of our proprietary XPO Connect® digital marketplace to grow our share of the brokerage sector and penetrate the for-hire trucking industry.



## **Proprietary Technology and Intellectual Property**

One of the ways in which we strengthen our relationships with customers is by empowering our employees to deliver superior service through our technology. Our industry is evolving, and customers want to de-risk their supply chains through robust visibility and digitization. We are already well-positioned to provide this value to customers, because we prioritized visibility, control and automation early in the development of our proprietary technology.

We have built a highly scalable platform on the cloud that enables us to deploy innovations across multiple geographies in a relatively short time, and also take an innovation developed for one of our services and apply it to other services. This differentiates the value we offer and gives our larger accounts an added incentive to use us.

We believe that our investment in technology is among the highest in our industry at an annual average of approximately \$300 million. The most significant impacts of our technology to date are in these areas:

*XPO Connect*® is our proprietary digital freight marketplace; it encompasses our core Freight Optimizer system, shipper interface, API integration, pricing engine, tracking engine, carrier interface and our carrier mobile app, called Drive XPO®. This fully automated, self-learning digital freight platform gives us a scalable framework to continually improve our service, capture share and reduce costs.

XPO Connect® gives shippers access to our transportation network and market data, while freight carriers transact to secure loads through the app. As of December 31, 2021, we had approximately 98,000 carriers registered for XPO Connect® globally and over 600,000 cumulative truck driver downloads of the app. In the fourth quarter of 2021, 70% of our brokerage orders in North America were created or covered digitally.

In LTL, our technology focuses on optimizing the main components of the service we provide: linehaul, pickup-and-delivery and pricing. Our North American LTL linehaul network moved freight approximately 2.5 million miles a day on average in 2021. In total, we moved 18 billion pounds of LTL freight 758 million miles in 2021.

With intelligent route-building, we can reduce empty miles in our linehaul network, improve load factor and mitigate cargo damage. Our proprietary bypass models assimilate massive amounts of data to arrive at recommendations based on volume and density, taking freight dimensions into account to identify gaps in trailer utilization. With pickup-and-delivery, we are focused on optimizing routing, pricing management, trailer utilization, exception management and dock productivity through our technology.

*XPO Smart*™ is our proprietary suite of intelligent tools and analytics that self-adjusts site by site to drive productivity across our LTL terminal operations. Our software incorporates dynamic data science, predictive analytics and machine learning to aid our managers in workflow decision-making. We use XPO Smart™ to improve our labor in a safe, disciplined and cost-effective manner.

## **Customers and Markets**

We provide services to more than 50,000 customers ranging in size from small, entrepreneurial organizations to Fortune 500 companies and global leaders. The diversification of our customer base minimizes concentration risk: in 2021, our top five customers combined accounted for approximately 9% of our revenue, with our largest customer accounting for approximately 3% of revenue.

Our markets are also highly diversified. The customers we serve span every major industry and touch every part of the economy. Our revenue derives from a mix of key verticals, such as industrial and manufacturing, retail and e-commerce, food and beverage, logistics and transportation and consumer goods.

We market our services to customers with domestic and international supply chains, and primarily perform these services in North America and Europe. In 2021, approximately 72% of our total revenue was generated in the U.S., 11% in France, 7% in the U.K. and 6% in Europe (excluding France and the U.K.).

## Competition

XPO operates in highly fragmented marketplaces along with thousands of companies competing domestically and internationally. We compete on quality of service, reliability, scope and scale of operations, technological capabilities, expertise and price.

Our competitors include local, regional, national and international companies that offer the same services we provide, including C.H. Robinson, FedEx, Old Dominion Freight Line and Saia. Some of our competitors have significantly more customers, resources and experience than we have, and some of our customers have sufficient internal resources to perform the services we offer. Due to the competitive nature of our marketplaces, we strive daily to strengthen existing business relationships and forge new relationships.

The health of the freight transportation industry overall will continue to be a function of domestic and global economic growth. However, we believe that we have positioned XPO in fast-growing sectors to benefit from secular trends, such as the demand for e-commerce, omnichannel retail and supply chain outsourcing.

## Regulation

Our operations are regulated and licensed by various governmental agencies in the U.S. and in other countries where we conduct business. These regulations impact us directly and also indirectly when they regulate third-party providers we arrange and/or contract with to transport freight for our customers.

*Regulations Affecting Motor Carriers, Owner-Operators and Transportation Brokers.* In the U.S., our subsidiaries that operate as motor carriers, freight forwarders, and freight transportation brokers are licensed by the Federal Motor Carrier Safety Administration (“FMCSA”) of the U.S. Department of Transportation (“DOT”). Our motor carrier subsidiaries and the third-party motor carriers we contract with in the U.S. must comply with the safety and fitness regulations of the DOT, including those related to, without limitation, controlled substances and alcohol, hours-of-service compliance, vehicle maintenance, hazardous materials compliance, driver fitness, unsafe driving, and minimum insurance requirements, as well as the Compliance Safety Accountability (“CSA”) program, which uses a Safety Measurement System (“SMS”) to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories (“BASICS”).

Other federal agencies, such as the U.S. Environmental Protection Agency (“EPA”), the U.S. Food and Drug Administration (“FDA”), the California Air Resources Board (“CARB”) and the U.S. Department of Homeland Security (“DHS”), also regulate our equipment, operations, cargo and independent contractor drivers. We are also subject to a variety of vehicle registration and licensing requirements in certain states and local jurisdictions where we operate, as are the third-party carriers with which we contract. In foreign jurisdictions where we operate, our operations are regulated by the appropriate governmental authorities. We may become subject to new or more restrictive regulations relating to emissions, drivers’ hours-of-service, independent contractor eligibility requirements, onboard reporting of operations, air cargo security and other matters affecting safety or operating methods.

*Regulations Affecting Our Subsidiaries Providing Ocean and Air Transportation.* One of our subsidiaries, XPO Customs Clearance Solutions, LLC (“XCCS”), is licensed as a U.S. Customs broker by the U.S. Customs and Border Protection (the “CBP”) of the DHS in each U.S. district where it performs services. All U.S. Customs brokers are required to maintain prescribed records and are subject to periodic audits by the CBP. In non-U.S. jurisdictions where we perform customs brokerage services, our operations are licensed, where necessary, by the appropriate governmental authorities.

Our subsidiaries that offer expedited air charter transportation are subject to regulation by the Transportation Security Administration (“TSA”) of the DHS governing air cargo security for all loads, regardless of origin or destination. Some of our subsidiaries are regulated as “indirect air carriers” by the TSA. The CBP, TSA and relevant non-U.S. governmental agencies provide requirements and guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry.

To facilitate our international operations, XPO is a member of the International Air Transportation Association (“IATA”), a voluntary association of airlines and freight forwarders that outlines operating procedures for forwarders acting as agents or third-party intermediaries for IATA members. A substantial portion of our international air freight business is transacted with other IATA members.

Additionally, some of our subsidiaries are licensed as an Ocean Transportation Intermediary (“OTI”), since they operate as a non-vessel-operating common carrier (“NVOCC”), and/or as an Ocean Freight Forwarder (“OFF”) licensed by the U.S. Federal Maritime Commission (“FMC”), which establishes the qualifications, regulations, licensing and bonding requirements for arranging international transportation to or from the U.S. as an OTI.

Our OTI operations are subject to regulations of the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of Treasury, the U.S. Department of Justice, and the Securities and Exchange Commission and to various laws and regulations of the other countries where we operate. These laws and regulations govern what commodities may be shipped to certain destinations and end-users, unfair international trade practices, limitations on entities with which we may conduct business and related matters.

*Other Regulations.* We are subject to a variety of other U.S. and foreign laws and regulations, including, but not limited to, the Foreign Corrupt Practices Act and other anti-bribery and anti-corruption statutes, and export sanction laws. We are also subject to state and U.S. federal laws and regulations addressing some types of cargo transported or stored by our subsidiaries, or transported pursuant to a government contract or subcontract.

*Classification of Independent Contractors.* U.S. tax and other federal and state regulatory authorities, as well as private litigants, continue to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors, while applying a variety of standards in their determinations of independent contractor status. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements and heighten the penalties for companies that misclassify workers and are found to have violated overtime or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor, which allows taxpayers that meet certain criteria to treat individuals as independent contractors if they are following a longstanding, recognized practice. Federal legislators also sought to expand the Fair Labor Standards Act to cover “non-employees” who perform labor or services for businesses, even if said non-employees are properly classified as independent contractors; require taxpayers to provide written notice to workers based upon their classification as either an employee or a non-employee; and impose penalties and fines for violations of the notice requirement or for misclassifications. Some states have launched initiatives to increase tax revenues from items such as unemployment, workers’ compensation and income taxes, and the reclassification of independent contractors as employees could help states increase these revenues. In addition to these possible legislative changes, the National Labor Relations Board (“NLRB”) and NLRB’s general counsel have signaled the desire to reverse several pro-employer precedents, to make it more difficult for a worker to be classified as an independent contractor by changing the factors used in determining worker classification. The NLRB has also entered into a Memorandum Of Understanding with the U.S. Department of Labor regarding the exchange of information and cooperation in enforcement activities regarding the misclassification of employees as independent contractors. If the independent contractor drivers that provide services to XPO are determined to be our employees, we could incur additional exposure under some or all of the following: federal and state employer taxes, workers’ compensation, unemployment benefits, and labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

*Environmental Regulations.* Our operations and our independent contractors are subject to various environmental laws and regulations in the jurisdictions where we operate. In the U.S., these laws and regulations deal with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel tanks and related fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. We may be responsible for the cleanup of any spill or other incident involving hazardous materials caused by our business. In the past, we have been responsible for the cost to clean up diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and only a small percentage of our total loads contain hazardous materials.

We believe that our operations are in substantial compliance with current laws and regulations, and we do not know of any existing environmental condition that reasonably would be expected to have a material adverse effect on our business or operating results.

### **Risk Management and Insurance**

We maintain insurance for commercial automobile and trucker's liability, commercial general liability, cargo legal liability, workers' compensation and employers' liability, umbrella and excess liability, cyber risk, and property coverage with coverage limits, deductibles and self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. Certain actuarial assumptions and managerial judgments are made for insurance reserves and are subject to a degree of variability.

### **Seasonality**

Our revenue and profitability are typically lower for the first quarter of the calendar year relative to other quarters. We believe this is due in part to the post-holiday reduction in demand experienced by many of our customers, which leads to less use of our services.

The productivity of our tractors and trailers, independent contractors and other transportation providers generally decreases during the winter season because inclement weather impedes operations. It is not possible to reliably predict whether our historical revenue and profitability trends will continue to occur in future periods.

### **Human Capital Management**

At XPO, every action we take is based on our values – we are safe, entrepreneurial, respectful, innovative and inclusive. Our values shape our approach to human capital management and ensure we provide an excellent work environment for our employees. Our success relies heavily on our strong governance structure, Code of Business Ethics, good corporate citizenship and commitment to employee engagement.

As a customer-centric company with a strong service culture, we continually strive to be an employer of choice. This requires an unwavering commitment to workplace inclusion and safety, professional growth opportunities and competitive total compensation that meets the needs of our employees and their families.

#### *Employee Base Profile*

We had approximately 42,000 employees in locations spanning 20 countries as of December 31, 2021, with approximately 21,000 employees in North American LTL and approximately 21,000 employees in Brokerage and Other Services, including corporate. Our workforce is supplemented with approximately 5,400 temporary workers.

By geography, approximately 66% of our employees are based in North America, approximately 33% are in Europe and approximately 1% are in Latin America and Asia combined. By job description, approximately 57% of our employees work as drivers and dockworkers, approximately 25% work as operations and warehouse workers and approximately 9% work in field supervisory and management positions with the remainder in support and other positions. In North America, approximately 78% of our employees occupy hourly roles and approximately 22% are in salaried positions. By gender, approximately 18% of our global employees are female and approximately 23% of global managerial positions (manager or supervisor and above) are occupied by women. Women also comprise approximately 45% of our global salaried field and non-field professionals, and approximately 22% of all U.S. employees at vice president level and above, an increase of more than three percentage points from 2020. By ethnicity, almost 40% of our U.S. employees are ethnically or racially diverse, with representation of Black and African American colleagues surpassing the U.S. census by seven percentage points. Approximately 30% of colleagues in U.S. managerial positions (manager or supervisor and above) identify as ethnically or racially diverse.

As of December 31, 2021, approximately 88% of our employees in Europe were represented by unions or other employee representative bodies. In the U.S., less than 1% of our employees are represented by a union.

Throughout 2021, we made significant investments in the safety, well-being and satisfaction of our employees in the following areas, among others:

#### *Diversity, Equity and Inclusion (“DE&I”)*

We take pride in having an inclusive workplace that encourages a diversity of talents and perspectives. We welcome employees of every gender identity, sexual orientation, race, ethnicity, national origin, religion, life experience and disability. Led by our chief diversity officer, we celebrate diversity through our heritage month celebrations, including Black history, women’s history, LGBTQ+ pride, Hispanic heritage, Native American heritage, Asian American heritage and military veterans. We offer inclusivity courses through our XPO University e-learning portal. We also engage in academic partnerships that advance diversity in higher education, including our collaboration with Historically Black Colleges and Universities (“HBCUs”) and the Hispanic Association of Colleges and Universities. We sponsor inclusion programs and employee resource groups that support employee heritage, women, veterans, the LGBTQ+ community, people with disabilities and other multicultural groups. Commitments added in 2021 include a partnership with Hiring our Heroes, a DE&I global employee portal and “Table Talk” conversations on DE&I topics with XPO leaders.

*ESG Initiatives in Long-Term Incentives.* Our commitment to long-term and successive ESG achievements is demonstrated through our ESG scorecard, which we introduced in 2020 with more than 40 defined ESG targets and initiatives that span a four-year period through 2023. Our ESG scorecard deliverables are organized into six categories that are tied to performance on: (1) employee safety; (2) sustainability; (3) information security; (4) diversity and human capital management, among other areas of ESG. Goals include targets for turnover rates, gender and ethnic diversity growth in managerial positions and DOT recordable preventable accident frequency in both managed transportation and LTL. These ESG performance targets and initiatives, including deliverables for diversity and inclusion, are linked to 25% of our top executives’ long-term incentive compensation.

#### *Health and Safety*

The physical and emotional safety of our employees is our top priority, and we have numerous protocols in place to ensure a safe work environment. In the U.S., we aim to maintain an Occupational Safety and Health Administration total recordable incident rate (“TRIR”) that is less than half the published rate for the Truck Transportation industry based on the “Industry Injury and Illness Data” from the U.S. Bureau of Labor Statistics (“BLS”). In 2021, our North American Transport business unit exceeded our target expectation with a TRIR 2.63 points lower than the BLS national benchmark.

Another way we work to decrease occupational injuries and illnesses is through our global Road to Zero program. Road to Zero instills safety and compliance awareness through education, mentoring, communication and on-the-job training. In addition to physical well-being, we also consider emotional well-being to be an important part of workplace safety. Our Code of Business Ethics mandates zero tolerance of discrimination, harassment, retaliation, bullying and other unacceptable behaviors to ensure all employees feel welcome at work. Our open-door policy provides multiple channels for employees to report any incidents, including our anonymous Ethics Point hotline and website, along with any supervisor, manager or member of the HR team.

Throughout the COVID-19 pandemic, we’ve continued to prioritize employee physical and mental health and have aimed to balance protecting employee health while creating a comfortable work environment. We remain diligent in upholding XPO’s COVID-19 safety protocols, including daily health attestations, a contactless delivery policy for our drivers and customers and access to mental health counseling services for employees and their dependents. We continue to offer pandemic paid sick leave to provide U.S. and Canadian employees up to an additional two weeks of fully-paid sick leave.

#### *Talent Development and Engagement*

*Employee Engagement.* At XPO, we regularly solicit feedback from employees to gauge our progress, assess satisfaction and encourage constructive suggestions. Each quarter, we solicit feedback from our global “wired” employees through an online satisfaction survey. In the U.S., we also conduct an annual satisfaction survey among our “non-wired” frontline employee audience in addition to regular roundtables and town halls. Based on employee

feedback, we identify improvement areas and develop action plans at the business unit and facility level to implement improvements.

We also foster career development at all levels and seek to recruit and retain the best talent available. Our talent development infrastructure includes these activities and programs, among others:

*Recruitment.* We tailor our recruitment efforts by geography and job function using an array of channels. We proactively recruit through advertisements tailored for individual roles, and we use a range of different sources to search for potential candidates. For example, through our recruiting partnerships, we advertise open positions on recruitment websites targeted toward women, LGBTQ+ individuals, Blacks and African-Americans, Hispanics, veterans and those who are disabled. Our goal is to identify candidates who have the skills our customers need – or the desire to learn those skills. Specifically, we partner with Hiring our Heroes to attract military veterans and WorkFit, the Down’s Syndrome Association’s employment program.

*Modern Hire.* Our integrated approach to talent development begins with the recruitment platform we launched this year. It includes job previews, on-demand interviewing and scheduling and pre-employment assessments to improve and personalize the candidate experience, allowing candidates to choose opportunities with XPO that best match their skills and interests. These features also reduce time demands of the candidate and improve employee retention by allowing candidates to learn about XPO and the role for which they’re applying prior to joining XPO.

*Grow at XPO.* This program offers tailored skills development, training and mentoring for employees who aspire to grow into higher-paying positions with more responsibility at XPO. Grow at XPO is intended primarily to create opportunities for employees from minority populations or underrepresented communities.

*Driver School.* XPO’s driver training schools are instrumental in our driver recruitment efforts, enabling us to teach new drivers. We have 130 driver training schools in our network and graduated approximately 900 students in 2021. Our driver training program is also a critical component of our driver retention strategy, as our retention rate on average over the past two years for internal driver school graduates is more than 30 percentage points higher than that of external driver hires. Our recent enhancements to student compensation and training options are industry-leading and include free tuition, guaranteed wages for instruction hours, on-the-job training and other benefits. In contrast to the BLS-reported national average age of 46 years old for employees in the Truck Transportation industry, approximately 80% of our 2021 student driver hired population is below 40 years of age with nearly half of students between the ages of 25-34 years old. We plan to expand our graduate count in 2022 to double our graduates in 2021.

*XPO Graduate Program (LTL).* We maintain a robust “ready now” pipeline of future operations leaders by using structured sponsorships and incidental learning techniques. These programs are designed to develop internal candidates who demonstrate high potential in supervisory roles, preparing them to become site leaders. The programs also help retain top talent by defining personalized development paths, and they attract new talent by differentiating XPO from its competitors.

*XPO RISE.* Our executive training program for high-potential managers launched in the U.S. in 2021 and will launch in Europe in 2022. This program emphasizes our commitment to promote from within and increase gender diversity in executive management roles by providing cross-functional leadership experience via special projects, collaboration with peers and mentoring from XPO executives.

*XPO University.* Our learning and development platform encompasses online and in-person programs, including JumpStart onboarding, management training and skills development. In 2021, more than one million training hours were completed by our employees worldwide.

#### *Expansive Total Rewards*

We appreciate that our employees choose to work for XPO from among many options inside and outside our industry. We offer a total compensation package that is both competitive and progressive to attract and retain outstanding talent.

*Competitive Wages.* In 2021, total compensation expense for employees (i.e., excluding contingent workers) rose by 13%, or \$389 million, reflecting both concentrated and broad-based investments in wage increases for more than 22,000 hourly workers throughout the year, and annual merit-based and promotional increases for our salaried employees. In addition, we hired nearly 15,000 employees globally at competitive rates as we continued to invest in the company's growth, innovation and commitment to deliver relentlessly for our customers.

*Comprehensive Benefits.* We offer a comprehensive suite of health and welfare benefit programs to support employees and their families. Many of these benefits are offered because of employee feedback. In the U.S., examples include:

- *Pregnancy Care Policy:* guarantees up to 80 hours of paid prenatal leave and certain automatic accommodations, plus consideration of more significant accommodations.
- *Family Bonding Policy:* provides 100% paid time off for six weeks for the primary caregiver of a newborn or newly adopted child, and 100% paid time off for two weeks for a secondary caregiver.
- *Tuition Reimbursement:* provides up to \$5,250 annually for continuing education, tuition-free commercial driver training and education discounts for more than 80 fields of online study.
- *Additional Benefits:* including access to a Total Rewards Statement, assistance with diabetes management, supplemental insurance and short-term loans.

In Europe, XPO's benefit programs vary by country and are tailored to the needs of local markets. Examples include comprehensive healthcare and risk insurances, employee assistance programs covering mental, physical and financial well-being, commercial driver training, vocational coaching and training and a full flexible benefits program in the U.K.

#### *Community Involvement*

In 2021, there were hundreds of examples of our company and employees giving back, including our support of the Susan G. Komen Foundation, Truckers Against Trafficking, Soles4Souls, Girls With Impact, Toys for Tots, Elves & More and the Make-A-Wish Foundation, among others.

## Information about our Executive Officers

The following information relates to each of our executive officers:

Name	Age	Position
Brad Jacobs	65	Chairman of the Board and Chief Executive Officer
Mario Harik	41	Chief Information Officer; Acting President, Less-Than-Truckload
Ravi Tulsyan	53	Chief Financial Officer

**Brad Jacobs** has served as XPO's chairman of the Board of Directors and chief executive officer since September 2011. Mr. Jacobs also has served as the non-executive chairman of the Board of Directors of GXO Logistics, Inc. since August 2, 2021. He is also the managing member of Jacobs Private Equity, LLC, which is one of XPO's largest stockholders. Mr. Jacobs led two other public companies prior to XPO: United Rentals, Inc., which he founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman of United Rentals from 1997 to 2007, and as chief executive officer from 1997 to 2003. He served as chairman and chief executive officer of United Waste Systems from 1989 to 1997.

**Mario Harik** has served as XPO's chief information officer since November 2011 and acting president, Less-Than-Truckload since October 2021. Mr. Harik has led numerous technological developments for transportation and logistics industries, built comprehensive technology organizations, overseen the implementation of extensive proprietary platforms, and consulted to Fortune 100 companies. His prior positions include chief information officer and senior vice president of research and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and solutions architect and consultant with Adea Solutions. Mr. Harik holds a master's degree in engineering, information technology from Massachusetts Institute of Technology, and a degree in engineering – computer and communications from the American University of Beirut, Lebanon.

**Ravi Tulsyan** has served as XPO's chief financial officer since September 2021, after formerly serving as the company's deputy chief financial officer since February 2021 and treasurer since 2016. Prior to XPO, Mr. Tulsyan served as treasurer and senior vice president, M&A with ADT Corporation following ADT's 2012 spin off from Tyco International. Mr. Tulsyan previously served as Tyco's vice president of global capital markets and head of financial planning and analysis at the time of the separation, and led all treasury activities related to the transaction. Earlier, Mr. Tulsyan held executive positions as senior treasury manager with PepsiCo, and manager of derivatives strategy and trading with Xerox Corporation. He holds a master's degree in finance from the University of Rochester, a master's degree in mechanical engineering from the Ohio State University, and a bachelor's degree from the Indian Institute of Technology Madras.

### Available Information

Our corporate website is [www.xpo.com](http://www.xpo.com). On this website, you can access, free of charge, our reports on Forms 10-K, 10-Q and 8-K, as well as specialized disclosure reports on Form SD, Proxy Statements on Schedule 14A and amendments to these materials. Materials are available online as soon as reasonably practicable after we electronically submit them to the SEC. You can also access materials on our website regarding our corporate governance policies and practices, including our Corporate Governance Guidelines, Code of Business Ethics and the charters relating to the committees of our Board of Directors. You may request a printed copy of these materials without charge by writing to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.



## ITEM 1A. RISK FACTORS

The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Annual Report or our other filings with the SEC or in oral presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our Consolidated Financial Statements and related Notes in Item 8.

### COMPANY RISK

#### Risks related to our business model and the COVID-19 pandemic

*Economic recessions and other factors that reduce freight volumes, both in North America and Europe, could have a material adverse impact on our business.*

The transportation industry in North America and Europe historically has experienced cyclical fluctuations in financial results due to economic recessions, downturns in the business cycles of our customers, increases in the prices charged by third-party carriers, interest rate fluctuations, changes in international trade policies and other U.S. and global economic factors beyond our control. During economic downturns, a reduction in overall demand for transportation services will likely reduce demand for our services and exert downward pressures on our rates and margins. In addition, in periods of strong economic growth, overall demand may exceed the available supply of transportation resources, resulting in increased network congestion and operating inefficiencies. Additional changes in international trade policies could significantly reduce the volume of goods transported globally and adversely affect our business and results of operations. These factors subject our business to various risks that may have a material impact on our operating results and future prospects. These risks may include the following:

- A reduction in overall freight volume reduces our opportunities for growth. In addition, if a downturn in our customers’ business causes a reduction in the volume of freight shipped by those customers, our operating results could be adversely affected;
- Some of our customers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business and may be unable to pay us. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase;
- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment capacity or services to meet our commitments to our customers;
- We may not be able to appropriately adjust our expenses to rapid changes in market demand. In order to maintain high variability in our business model, it is necessary to adjust staffing levels when market demand changes. In periods of rapid change, it is more difficult to match our staffing levels to our business needs. In addition, we have other expenses that are primarily variable but are fixed for a period of time, as well as certain significant fixed expenses; we may be unable to adequately adjust these expenses to match a rapid change in demand; and
- The U.S. government has made significant changes in U.S. trade policy and has taken certain actions that have negatively impacted U.S. trade, including imposing tariffs on certain goods imported into the U.S. To date, several governments, including the European Union (“EU”) have imposed tariffs on certain goods imported from the U.S. These actions may contribute to weakness in the global economy that could adversely affect our results of operations. Any further changes in U.S. or international trade policy 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 those tariffs increase their prices, or in trading partners limiting their trade with countries that impose anti-trade measures. 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.

***If we continue to face unfavorable market conditions arising from the COVID-19 pandemic, our business, prospects, financial condition and operating results may be negatively impacted.***

We are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it will impact our employees, customers and business partners. The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption, which will adversely affect our business operations and may materially and adversely affect our results of operations, cash flows and financial position.

Our operations and those of our customers have been subject to supply chain disruptions due to pandemic-related plant and port shutdowns, transportation delays, government actions and other factors, which may be beyond our control. The global shortage of certain components such as semiconductor chips, strains on production or extraction of raw materials, cost inflation, and labor and equipment shortages, could escalate in future quarters. Labor shortages, particularly of truck drivers, have led and may continue to lead to difficult conditions for hiring and retention of drivers as well as mechanics, dock workers and others, and increased labor costs, and along with equipment shortages, can result in lower levels of service, including timeliness, productivity and quality of service. If we continue to face unfavorable market conditions, our business, prospects, financial condition and operating results may be negatively impacted.

During the COVID-19 pandemic, we have incurred additional costs to meet the needs of our customers and employees. We expect to continue to incur additional costs, which may be significant, as we implement operational changes in response to the pandemic. An extended period of remote work arrangements could strain our business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business.

The impacts of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 outbreak has subsided. The extent to which the COVID-19 pandemic impacts us will depend on numerous evolving factors and future developments that we are not able to predict. Due to the largely unprecedented and evolving nature of the COVID-19 pandemic, it remains very difficult to predict the extent of the impact on our industry generally and our business in particular. Furthermore, the extent and pace of a recovery remains uncertain and may differ significantly among the countries in which we operate. As a result, the pandemic and related supply chain disruptions could have a material impact on our results of operations and heighten many of our other known risks described in this Annual Report.

#### **Risks related to Our Strategy, Operations, Legal and Compliance and Finance**

***Our company-specific action plan to enhance network efficiencies and drive growth in our North American LTL business, and other management actions to improve our North American LTL business, may not be effective or timely, and may not improve our results of operations or cash flow from operations as planned.***

We have undertaken a company-specific action plan to enhance network operating efficiencies and drive growth in our North American LTL business, including among other actions, selectively imposing freight embargoes, increasing prices, expanding our driver school enrollment, increasing production capacity of our trailer manufacturing facility, and investing in the door count in our network of terminal facilities. The effectiveness and timeliness of these actions, which are and will be costly, and other management actions to improve our North American LTL business, may not result in the expected improvements in our results of operations or cash flow from operations in our North American LTL business.

***Our profitability may be materially adversely impacted if our investments in equipment and service centers do not match customer demand for these resources or if there is a decline in the availability of funding sources for these investments.***

Our LTL and full truckload operations require significant investments in equipment and freight service centers. The amount and timing of our capital investments depend on various factors, including anticipated freight volume levels and the price and availability of appropriate property for service centers and newly manufactured tractors. If our anticipated requirements for service centers or fleet differ materially from actual usage, our capital-intensive operations, specifically LTL and full truckload, may have more or less capacity than is optimal.

Our investments in equipment and service centers depend on our ability to generate cash flow from operations and our access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect our financial condition and results of operations.

***Failure to successfully implement our cost and revenue initiatives could cause our future financial results to suffer.***

We are implementing various cost and revenue initiatives to further increase our profitability, including advanced pricing analytics and revenue management tools, our digital freight platform, our shared distribution network, cross-selling to strategic accounts, LTL process improvements, workforce productivity, European margin expansion, global procurement and further back-office optimization. If we are not able to successfully implement these cost and revenue initiatives, our future financial results may suffer.

***We may not successfully manage our growth.***

We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions and entering into new markets, and we intend to continue to focus on growth, including organic growth through new customer wins and increased business with existing customers, as well as additional acquisitions. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, changes in revenue and business models, entry into new geographic areas and increased pressure on our existing infrastructure and information technology systems from multiple customer project implementations.

Our growth may place a significant strain on our management, operational, financial and information technology resources. We seek to continually improve existing procedures and controls, as well as implement new transaction processing, operational and financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs may continue to increase as our operations grow. Failure to manage our growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***We may sell, spin off or otherwise divest one or more of our business units, which may have an adverse effect on our remaining businesses and the market price of our common stock, and we would anticipate incurring material compensation and other expenses, including expenses related to the acceleration of equity awards, in connection with substantial dispositions.***

We may sell, spin off or otherwise divest, in whole or in part, one or more of our business units, which may have an adverse effect on our remaining businesses and the market price of our common stock, and we would anticipate incurring material compensation and other expenses, including expenses related to the acceleration of equity awards, in connection with entering into and/or completing substantial dispositions. We may not realize the price we expect to receive when divesting a business unit, we may incur a loss in connection with a sale, spin-off or other divestiture of a business unit, the market price of our common stock and the multiples at which our common stock trades may not increase following a business unit sale, spin-off or other divestiture, and/or we may incur ongoing transition obligations and costs that adversely impact our operations following a business unit sale, spin-off or other divestiture. Certain of these factors could have an adverse effect on our results of operations and cash flows.

In addition, a sale, spin-off or other divestiture of one or more of our business units will result in us being a smaller, less diversified company with a more concentrated area of focus. Following a potential sale, spin-off or other divestiture, we will be reliant on our remaining business units. As a result, we may become more vulnerable to changing market conditions, which could have a material adverse effect on our business, financial condition and results of operations. The diversification of our revenues, costs and cash flows will diminish as a result of a sale, spin-off or other divestiture, such that our results of operations, cash flows, working capital, effective tax rate and financing requirements may be subject to increased volatility and our ability to fund capital expenditures, investments and service our debt may be diminished. We may also incur ongoing costs and retain certain liabilities that were previously allocated to entities that were sold, spun off or otherwise divested. Those costs may exceed our estimates or could diminish the benefits we expect to realize.

Further, a sale, spin-off or other divestiture of one or more of our business units may subject us to litigation. An unfavorable outcome of such litigation may result in a material adverse impact on our business, financial condition,

cash flows or results of operations. In addition, regardless of the outcome, litigation proceedings can be costly, time-consuming, disruptive to our operations, and distracting to management.

***Our past acquisitions, as well as any acquisitions that we may complete in the future, may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.***

While we intend for our acquisitions to enhance our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Special risks, including accounting, regulatory, compliance, information technology or human resources issues, may arise in connection with, or as a result of, the acquisition of an existing company, including the assumption of unanticipated liabilities and contingencies, difficulties in integrating acquired businesses, possible management distractions, or the inability of the acquired business to achieve the levels of revenue, profit, productivity or synergies we anticipate or otherwise perform as we expect on the timeline contemplated. We are unable to predict all of the risks that could arise as a result of our acquisitions.

In addition, if the performance of our reporting segments or an acquired business varies from our projections or assumptions, or if estimates about the future profitability of our reporting segments or an acquired business change, our revenues, earnings or other aspects of our financial condition could be adversely affected.

***If we determine that our goodwill has become impaired, we may incur impairment charges, which would negatively impact our operating results.***

At December 31, 2021, we had \$2.5 billion of goodwill on our consolidated balance sheet. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. We assess potential impairment of our goodwill annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. Impairment may result from significant changes in the manner or use of the acquired assets, in connection with the sale, spin off or other divestiture of a business unit, negative industry or economic trends and/or significant underperformance relative to historic or projected operating results. For a discussion of our goodwill impairment testing, see “Critical Accounting Policies and Estimates - Evaluation of Goodwill” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

***Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.***

We use both internally developed and purchased technologies in conducting our business. Whether internally developed or purchased, it is possible that users of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against us by a third party for the infringement of intellectual property rights, a settlement or adverse judgment against us could result in increased costs to license the technology or a legal prohibition against our using the technology. Thus, our failure to obtain, maintain or enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We rely on a combination of intellectual property rights, including patents, copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties; or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Efforts to enforce our intellectual property rights may be time-consuming and costly, distract management’s attention and divert our resources, and ultimately be unsuccessful. Moreover, should we fail to develop and properly manage future intellectual property, this could adversely affect our market positions and business opportunities.

***Our overseas operations are subject to various operational and financial risks that could adversely affect our business.***

The services we provide outside the U.S. are subject to risks resulting from changes in tariffs, trade restrictions, trade agreements, tax policies, difficulties in managing or overseeing foreign operations and agents, different liability standards, issues related to compliance with anti-corruption laws, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, data protection, trade compliance, and intellectual property laws of countries that do not protect our rights relating to our intellectual property, including our proprietary information systems, to the same extent as do U.S. laws. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region or decrease the profitability of our operations in that region. In addition, as we expand our business in foreign countries, we will be exposed to increased risk of loss from foreign currency fluctuations and exchange controls.

***We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies.***

We present our financial statements in U.S. dollars, but we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the euro and British pound sterling. Consequently, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial results as further discussed in Item 7A, “Quantitative and Qualitative Disclosures about Market Risk.”

***Volatility in fuel prices impacts our fuel surcharge revenue and may impact our profitability.***

We are subject to risks associated with the availability and price of fuel, all of which are subject to political, economic and market factors that are outside of our control.

Fuel expense constitutes one of the greatest costs to our LTL and full truckload carrier operations, as well as to the independent contractor drivers and third-party transportation providers who transport freight arranged by our other operations. Accordingly, we may be adversely affected by the timing and degree of fuel price fluctuations. As is customary in our industry, most of our customer contracts include fuel surcharge programs or other cost-recovery mechanisms to mitigate the effect of any fuel price increases over base amounts established in the contract. However, these mechanisms may not fully capture an increase in fuel price. Furthermore, market pressures may limit our ability to assess fuel surcharges in the future. The extent to which we are able to recover increases in fuel costs may be impacted by the amount of empty or out-of-route truck miles or engine idling time.

Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits.

***Extreme or unusual weather conditions whether due to climate change or otherwise, can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results.***

Our business depends, in part, on predictable temperate weather patterns. Certain seasonal weather conditions and isolated weather events can disrupt our operations. We frequently incur costs related to snow and ice removal, towing and other maintenance activities during winter months. At least some of our operations are constantly at risk of extreme adverse weather conditions. Any unusual or prolonged adverse weather patterns in our areas of operations or markets, whether due to climate change or otherwise, can temporarily impact freight volumes and increase our costs.

Also, concerns relating to climate change have led to a range of local, state, federal, and international regulatory and policy efforts to seek to address greenhouse gas (“GHG”) emissions. In the U.S., various approaches are being proposed or adopted at the federal, state, and local government levels. These efforts could lead to additional costs on the Company now or in the future, including increased fuel and other capital or operational costs, or additional legal requirements on the Company. In addition to the potential for additional GHG regulation or incentives, enhanced corporate, public, and stakeholder awareness of climate change could affect the Company's reputation or customer

demand. Climate change concerns and GHG regulatory efforts could also affect the Company's customers themselves. Any of these factors, individually or combined with one or more factors, or other unforeseen factors or other impacts of climate change, could affect the Company and have an effect on our business, operations, or financial condition.

### **Risks related to Our Use of Technology**

***Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information technology systems, including those systems of any businesses that we acquire.***

We rely heavily on our information technology systems in managing our business; they are a key component of our customer-facing services and internal growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated technology from their transportation providers. To keep pace with changing technologies and customer demands, we must correctly address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends. This process of continuous enhancement may lead to significant ongoing software development costs, which will continue to increase if we pursue new acquisitions of companies and their current systems. In addition, we may fail to accurately determine the needs of our customers or trends in the transportation industry, or we may fail to respond appropriately by implementing functionality for our technology platform in a timely or cost-effective manner. Any such failures could result in decreased demand for our services and a corresponding decrease in our revenues.

We must ensure that our information technology systems remain competitive. If our information technology systems are unable to manage high volumes with reliability, accuracy and speed as we grow, or if such systems are not suited to manage the various services we offer, our service levels and operating efficiency could decline. In addition, if we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems, or if we fail to enhance our systems to meet our customers' needs, our results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers.

We are developing proprietary information technology. Our technology may not be successful or may not achieve the desired results and we may require additional training or different personnel to successfully implement this technology. Our technology development process may be subject to cost overruns or delays in obtaining the expected results, which may result in disruptions to our operations.

***A failure of our information technology infrastructure or a breach of our information security systems, networks or processes may materially adversely affect our business.***

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our sales and marketing, financial, legal and compliance functions, engineering and product development tasks, research and development data, communications, order entry and fulfillment and other business processes. We also rely on third parties and virtualized infrastructure to operate our information technology systems. Despite significant testing, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error, pose a direct threat to the stability or effectiveness of our information technology systems and operations. The failure of our information technology systems to perform as we anticipate has in the past, and could in the future, adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors, processing inefficiencies and loss of sales, receivables collection or customers. Any such failure could result in harm to our reputation and have an ongoing adverse impact on our business, results of operations and financial condition, including after the underlying failures have been remedied. Further, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management's focus and attention from our business operations, and increase our implementation and operating costs, any of which could negatively impact our operations and operating results.

We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our

reputation or increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to the resulting claims or liability could similarly involve substantial cost.

Also, due to recent advances in technology and well-known efforts on the part of computer hackers and cyber-terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, customer and employee data, which, if released, could adversely impact our customer relationships, our reputation, and even violate privacy laws. Recently, regulatory and enforcement focus on data protection has heightened in the U.S. and abroad, particularly in the EU. Failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our business, reputation, results of operations and financial condition.

### **Risks related to Our Credit and Liquidity**

#### ***Our indebtedness could adversely affect our financial condition.***

We have outstanding indebtedness, which could: negatively affect our ability to pay principal and interest on our debt; increase our vulnerability to general adverse economic and industry conditions; limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow to payments of interest and principal or to comply with any restrictive terms of our debt; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; impair our ability to obtain additional financing or to refinance our indebtedness in the future; and place us at a competitive disadvantage compared to our competitors that may have proportionately less debt.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could materially and adversely affect our financial position and results of operations. Further, failure to comply with the covenants under our indebtedness may have a material adverse impact on our operations. If we fail to comply with any of the covenants under our indebtedness, and are unable to obtain a waiver or amendment, such failure may result in an event of default under our indebtedness. We may not have sufficient liquidity to repay or refinance our indebtedness if such indebtedness were accelerated upon an event of default.

Under the terms of our outstanding indebtedness, we may not be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks described above.

#### ***The execution of our strategy could depend on our ability to raise capital in the future, and our inability to do so could prevent us from achieving our growth objectives.***

We may in the future be required to raise capital through public or private financing or other arrangements in order to pursue our growth strategy or operate our businesses. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business and/or our ability to execute our strategy. Further debt financing may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

#### ***We may be adversely affected by interest rate changes because of our floating rate credit facilities.***

The Second Amended and Restated Revolving Loan Credit Agreement, as amended (the “ABL Facility”) and the senior secured term loan credit agreement, as amended (the “Term Loan Facility”), provide for an interest rate based on London Interbank Offered Rate (“LIBOR”) or a Base Rate, as defined in the agreements, plus an applicable margin. Our European trade receivables securitization program (the “Receivables Securitization Program”) provides for an interest rate at lenders’ cost of funds plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the ABL Facility, Term Loan Facility and Receivables Securitization Program are subject to floating interest rates. Refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk” for the impact on interest expense of a hypothetical 1% increase in the interest rate. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations. Additionally, the interest rates on some of our debt is tied to

LIBOR. In July 2017, the head of the U.K.'s Financial Conduct Authority announced its intention to phase out the use of LIBOR by the end of 2021. However, for U.S. dollar-denominated ("USD") LIBOR, only one-week and two-month USD LIBOR will cease to be published after 2021, and all remaining USD LIBOR tenors will continue being published until June 2023. The uncertainty regarding the future of LIBOR, as well as the transition from LIBOR to another benchmark rate or rates, could have adverse impacts on our outstanding debt that currently uses LIBOR as a benchmark rate, and ultimately, adversely affect our financial condition and results of operations.

### **Risks related to Third-Party Relationships**

#### ***We depend on third parties in the operation of our business.***

In our intermodal drayage, expedite, last mile and global forwarding operations, we do not own or control the transportation assets that deliver our customers' freight, and we do not employ the people directly involved in delivering this freight. In addition, in our intermodal drayage, expedite and last mile businesses, we engage independent contractors who own and operate their own equipment. Accordingly, we are dependent on third parties to provide truck, rail, ocean, air and other transportation services and to report certain events to us, including delivery information and cargo claims. This reliance on third parties could cause delays in reporting certain events, impacting our ability to recognize revenue and claims in a timely manner.

Our inability to maintain positive relationships with independent transportation providers could significantly limit our ability to serve our customers on competitive terms. If we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms, our operating results could be materially and adversely affected, and our customers could shift their business to our competitors temporarily or permanently. Our ability to secure sufficient equipment or other transportation services to meet our commitments to customers or provide our services on competitive terms is subject to inherent risks, many of which are beyond our control, including: equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads; driver shortages in the transportation industry and/or resulting increases in the cost of procuring transportation services; interruptions or stoppages in transportation services as a result of labor disputes, seaport strikes, network congestion, weather-related issues, "Acts of God" or acts of terrorism; changes in regulations impacting transportation; increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and changes in transportation rates.

In addition, our European business heavily relies on subcontracting and we use a large number of temporary employees in these operations. As a result, we are exposed to various risks related to managing our subcontractors, such as the risk that they do not fulfill their assignments in a satisfactory manner or within the specified deadlines. Moreover, we cannot guarantee that temporary employees are as well-trained as our other employees. Specifically, we may be exposed to the risk that temporary employees may not perform their assignments in a satisfactory manner or may not comply with our safety rules in an appropriate manner, whether as a result of their lack of experience or otherwise. Such failures could compromise our ability to fulfill our commitments to our customers, comply with applicable regulations or otherwise meet our customers' expectations. Such failures could also harm our reputation and ability to win new business and could lead to our being liable for contractual damages. Furthermore, in the event of a failure by our subcontractors or temporary employees to fulfill their assignments in a satisfactory manner, we could be required to perform unplanned work or additional services in line with the contracted service, without receiving any additional compensation. As a result, any failure to properly manage our subcontractors or temporary employees in Europe or elsewhere could have a material adverse impact on our revenues, earnings, financial position and outlook.

#### ***Increases in driver compensation and difficulties with attracting and retaining drivers could adversely affect our revenues and profitability.***

Our LTL services in North America and Europe and our full truckload services in Europe are conducted primarily with employee drivers. Our industry is currently experiencing and may, in the future, experience intense competition for qualified drivers in the transportation industry due to a shortage of drivers. The availability of qualified drivers may be affected from time to time by changing workforce demographics, competition from other transportation companies and industries for employees, the availability and affordability of driver training schools, changing



industry regulations, and the demand for drivers in the labor market. If the current industry-wide shortage of qualified drivers continues, our global LTL operations and our European truckload operation could experience difficulty in attracting and retaining enough qualified drivers to fully satisfy customer demand. During periods of increased competition in the labor market for drivers, our LTL and full truckload operations may be required to increase driver compensation and benefits in the future or face difficulty meeting customer demand, all of which could adversely affect our profitability. Additionally, a shortage of drivers could result in the underutilization of our truck fleet, lost revenue, increased costs for purchased transportation or increased costs for driver recruitment.

***Our business may be materially adversely affected by labor disputes.***

Our business in the past has been, and in the future could be, adversely affected by strikes and labor negotiations at seaports, labor disputes between railroads and their union employees, or by a work stoppage at one or more railroads or local trucking companies servicing rail or port terminals, including work disruptions involving owner-operators under contract with our local trucking operations. Strikes and work stoppages also could occur at our own facilities. Port shutdowns and similar disruptions to major points in national or international transportation networks, most of which are beyond our control, could result in terminal embargoes, disrupt equipment and freight flows, depress volumes and revenues, increase costs and have other negative effects on our operations and financial results.

Labor disputes involving our customers could affect our operations. If our customers experience plant slowdowns or closures because they are unable to negotiate labor contracts, our revenue and profitability could be negatively impacted.

Our European business activities require a large amount of labor, which represents one of our most significant costs. It is essential that we maintain good relations with employees, trade unions and other staff representative institutions. A deteriorating economic environment may result in tensions in industrial relations, which may lead to industrial action within our European operations; this could have a direct impact on our business operations. Generally, any deterioration in industrial relations in our European operations, such as general strike activities or other material labor disputes, could have an adverse effect on our revenues, earnings, financial position and outlook.

***Efforts by labor organizations to organize employees at certain locations in North America, if successful, may result in increased costs and decreased efficiencies at those locations.***

Since 2014, in the U.S., the International Brotherhood of Teamsters (“Teamsters”) has attempted to organize employees at several of our LTL locations, and the International Association of Machinists (“Machinists”) has attempted to organize a small number of mechanics at three LTL maintenance shops. Additionally, the Teamsters is currently pursuing representation of independent contractor owner-operators at our Intermodal Commerce and San Diego, CA locations.

The majority of our employees involved in these organizing efforts rejected union representation. As of January 31, 2022, our employees had voted against union representation in 19 of the 29 union elections held since 2014.

In May 2020, LTL technicians at our Gary Hammond, IN shop ratified a contract negotiated between XPO and the Machinists union. In November 2021, the Gary Hammond facility lease expired and that shop was closed by us. In July 2021, LTL drivers and dockworkers at our Miami, FL service center and drivers at our Trenton, NJ service center ratified contracts negotiated between XPO and the Teamsters. As of January 31, 2022, we are engaged in good faith bargaining with the Teamsters at two locations where employees voted in favor of union representation.

In 2019, a majority of employees at our LTL service centers in Laredo, TX and Aurora, IL, voted to decertify the Teamsters as the employees’ representative. In December 2020, a majority of employees at our LTL service center in Cinnaminson, NJ also voted to decertify the Teamsters as their bargaining representative. In August 2021, drivers at our LTL service center in Los Angeles, CA also filed a decertification petition. In October 2021, the Teamsters disclaimed interest in continuing to represent the employees at that location. In September 2021, employees at our Bakersfield, CA service center filed a petition to decertify the Teamsters and later that month the Teamsters disclaimed interest in continuing to represent employees at that location. Likewise, in November 2021, the Teamsters withdrew its petition for an election at our Kansas City LTL service center.

Since 2014, the Teamsters have withdrawn seven petitions seeking elections on behalf of LTL employees prior to the election being held, and the Machinists withdrew one petition for an LTL election on behalf of a small group of shop employees. Today, only 184 North American LTL employees are represented by a union, of which only 98 are subject to a collective bargaining agreement.

In January 2022, LTL employees at our Trenton, NJ service center filed a deauthorization petition with the NLRB seeking to withdraw the authority of the Teamsters to require union employees to pay union dues to retain their XPO jobs. The outcome of that vote is pending.

Finally, in January 2022, the Teamsters filed a petition for an election with the NLRB seeking to represent approximately 250 owner operators at our Intermodal's Commerce and San Diego, CA Intermodal locations, and the drivers they employ, who are independent contractors. The Teamsters argue that the owner operators and their drivers are misclassified and that they are, in fact, XPO employees entitled to organize under the National Labor Relations Act. We will vigorously oppose the Teamsters' efforts. Although we have properly classified these workers under the current legal precedent as independent contractors as opposed to employees, the NLRB and its General Counsel have signaled the possible reversal of that precedent, and other pro-employer precedents. In addition, the NLRB and the U.S. Department of Labor have entered into a Memorandum of Understanding regarding the exchange of information and cooperation in enforcement activities regarding misclassification issues. The White House Task Force on Worker Organizing and Empowerment released a report on February 7, 2022 with numerous pro-labor recommendations regarding, among others, federal government support of union organizing efforts and enforcement against companies that misclassify employees as independent contractors. There can be no assurance that increased government regulation and enforcement in this area will not increase our costs or have an adverse effect on our results of operations, cash flows and businesses.

We cannot predict with certainty whether further organizing efforts may result in the unionization of any additional locations in the U.S. There can be no assurance that decertification will succeed at any of our facilities with union representation. If union efforts are successful, these efforts may result in increased costs and decreased efficiencies at the specific locations where representation is elected, and have an adverse effect on our results of operations, cash flows and businesses.

#### **Risks related to the Spin-Off**

***We may be unable to achieve some or all of the benefits that we expect to achieve from the spin-off.***

Although we believe that separating our Logistics segment into a stand-alone, publicly traded company has provided financial, operational and other benefits to us and our stockholders, we cannot provide assurance that we will achieve the full strategic and financial benefits expected from the spin-off. If we do not realize the intended benefits of the spin-off, we could suffer a material adverse effect on our business, financial conditions, results of operations and cash flows.

***If the spin-off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, XPO and XPO stockholders could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax-free for U.S. federal or non-U.S. income tax purposes, we could be subject to significant tax liabilities.***

It was a condition to the spin-off that we receive an opinion of outside counsel regarding the qualification of the spin-off, together with certain related transactions, as a "reorganization" within the meaning of Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The opinion of counsel was based upon and relied on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of XPO and GXO, including those relating to the past and future conduct of XPO and GXO. If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if XPO or GXO breaches any of its representations or covenants contained in the separation agreement and certain other agreements and documents or in any documents relating to the opinion of counsel, the opinion of counsel may be invalid, and the conclusions reached therein could be jeopardized.

Notwithstanding receipt of the opinion of counsel, the U.S. Internal Revenue Service (the “IRS”) could determine that the spin-off and/or certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the opinion of counsel was based are false or have been violated. In addition, the opinion of counsel will represent the judgment of such counsel and will not be binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt of the opinion of counsel, there can be no assurance that the IRS will not assert that the spin-off and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, XPO and XPO stockholders could be subject to significant U.S. federal income tax liability.

If the spin-off, together with certain related transactions, were to fail to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, XPO would recognize taxable gain as if it had sold the GXO common stock in a taxable sale for its fair market value (unless XPO and GXO jointly make an election under Section 336(e) of the Code with respect to the spin-off, in which case, in general, (a) XPO would recognize taxable gain as if GXO had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of GXO common stock and the assumption of all its liabilities and (b) GXO would obtain a related step-up in the basis of its assets), and GXO stockholders who receive such GXO shares in the spin-off would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

***In connection with the separation into two public companies, each of XPO and GXO agreed to indemnify each other for certain liabilities. If we are required to pay under these indemnities to GXO, our financial results could be negatively impacted. The GXO indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which GXO will be allocated responsibility, and GXO may not be able to satisfy its indemnification obligations in the future.***

Pursuant to the separation and distribution agreement and certain other agreements between XPO and GXO, each party agrees to indemnify the other for certain liabilities, in each case for uncapped amounts. Indemnities that we may be required to provide GXO are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that GXO has agreed to retain. Any amounts we are required to pay pursuant to these indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Further, the indemnities from GXO for our benefit may not be sufficient to protect us against the full amount of such liabilities, and GXO may not be able to fully satisfy its indemnification obligations.

Moreover, even if we ultimately succeed in recovering from GXO any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition.

#### **Risks related to Litigation and Regulations**

***Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged.***

We are involved in numerous lawsuits, including class action lawsuits, multi-plaintiff and individual lawsuits, and state tax and other administrative proceedings that claim that our contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors, or that certain individuals were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. In addition, we incur certain costs, including legal fees, in defending the status of these parties as independent contractors.

While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to

certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state or federal laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state or federal laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could involve thousands of claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.

The results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

***We are involved in multiple lawsuits and are subject to various claims that could result in significant expenditures and impact our operations.***

The nature of our business exposes us to the potential for various types of claims and litigation. In addition to the matters described in the risk factor “Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged,” we are subject to claims and litigation related to labor and employment, personal injury, vehicular accidents, cargo and other property damage, business practices, environmental liability and other matters, including with respect to claims asserted under various other theories of agency or employer liability. Claims against us may exceed the amount of insurance coverage that we have or may not be covered by insurance at all. Businesses that we acquire also increase our exposure to litigation. Material increases in the frequency or severity of vehicular accidents, liability claims or workers’ compensation claims, or the unfavorable resolution of claims, or our failure to recover, in full or in part, under indemnity provisions with transportation providers, could materially and adversely affect our operating results. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event that we or one of our contracted carriers is involved in an accident resulting in injury or contamination. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability.

***An increase in the number or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us.***

We use a combination of self-insurance programs and purchased insurance to provide for the costs of employee medical, vehicular collision and accident, cargo and workers’ compensation claims. Our estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a degree of variability. We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. Estimating the number and severity of claims, as well as related judgment or settlement amounts, is inherently difficult. This inherent difficulty, along with legal expenses, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self-insurance costs and our reserve estimates. Accordingly, our ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We periodically evaluate our level of insurance coverage and adjust insurance levels based on targeted risk tolerance and premium expense. An increase in the number or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us, while higher self-insured retention levels may increase the impact of loss occurrences on our results of operations.

In addition, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, healthcare cost trends, claims experience and healthcare decisions by plan participants. As a result, we are unable to predict how the cost of providing benefits under medical plans will affect our financial condition, results of operations or cash flows.

***We are currently subject to securities class action litigation and may be subject to similar litigation in the future. Such matters can be expensive, time-consuming and have a material adverse effect on our business, results of operations and financial condition.***

We are currently subject to securities class action litigation alleging violations of securities laws, which could harm our business and require us to incur significant costs. In December 2018, two purported class action lawsuits were filed against us and certain of our officers; these lawsuits alleged that we made false and misleading statements, purported to assert claims for violations of federal securities laws and sought unspecified compensatory damages and other relief. One class action lawsuit has since been voluntarily dismissed. In March 2021, the court dismissed the second class action lawsuit with prejudice. In April 2021, the plaintiffs appealed the court's decision to dismiss the second class action lawsuit. While we believe that we have a number of valid defenses to the claims described above and intend to vigorously defend ourselves in the remaining class action lawsuit, the matter is in the appellate process and no assessment can be made as to the likely outcome of the matter or whether it will be material to us. Also, we may be subject to additional proceedings of this type in the future, which could require significant attention from management or result in significant legal expenses, settlement costs or damage awards, any of which could have a material impact on our financial position, results of operations and cash flows.

***We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.***

We maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the U.S. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could significantly increase our contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan.

***Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.***

We are subject to income taxes in the United States and many foreign jurisdictions. Changes to income tax laws and regulations, or the interpretation of such laws, in any of the jurisdictions in which we operate could significantly increase our effective tax rate and ultimately reduce our cash flows from operating activities and otherwise have a material adverse effect on our financial condition, results of operations and cash flows. The U.S. Congress, the Organization for Economic Co-operation and Development ("OECD"), the EU and other government agencies in jurisdictions in which we and our affiliates do business have maintained a focus on the taxation of multinational companies. The OECD has recommended changes to numerous long-standing international tax principles through its base erosion and profit shifting ("BEPS") project. In addition, the current U.S. presidential administration has called for changes to fiscal and tax policies, which may include comprehensive tax reform. These and other tax laws and related regulations changes, to the extent adopted, may increase tax uncertainty and/or our effective tax rate, result in higher compliance cost and adversely affect our provision for income taxes, results of operations and/or cash flows.

***We are subject to governmental regulations and political conditions, which could negatively impact our business.***

Our operations are regulated and licensed by various governmental agencies in the U.S. and in foreign countries where we operate. These regulatory agencies have authority and oversight of domestic and international transportation services and related activities, licensure, motor carrier operations, safety and security and other matters. We must comply with various insurance and surety bond requirements to act in the capacities for which we are licensed. Our subsidiaries and independent contractors must also comply with applicable regulations and requirements of various agencies. Through our subsidiaries and operations, we hold various licenses required to carry out our domestic and international services. These licenses permit us to provide services as a motor carrier, property broker, customs broker, indirect air carrier, OTI, NVOCC, freight forwarder, air freight forwarder, and

ocean freight forwarder. In addition, we are subject to regulations and requirements promulgated by the DOT, FMCSA, DHS, CBP, TSA, FMC, IATA, Canada Border Services Agency and various other international, domestic, state and local agencies and port authorities.

Certain of our businesses engage in the transportation of hazardous materials, the movement, handling and accidental discharge of which are highly regulated. Our failure to maintain the required licenses, or to comply with applicable regulations, could have a material adverse impact on our business and results of operations. See the “Regulation” section under Item 1, “Business” for more information.

Future laws and regulations may be more stringent and may require changes to our operating practices that influence the demand for our services or require us to incur significant additional costs. We are unable to predict the impact that recently enacted and future regulations may have on our business. In particular, it is difficult to predict which, and in what form, FMCSA regulations may be modified or enforced, and what impact these regulations may have on motor carrier operations or on the aggregate number of trucks that provide hauling capacity to XPO. If higher costs are incurred by us as a result of future changes in regulations, or by the independent contractors or third-party transportation providers who pass increased costs on to us, this could adversely affect our results of operations to the extent we are unable to obtain a corresponding increase in price from our customers.

Furthermore, political conditions may increase the level of intensity of regulations that impact our business, may require changes to our operating practices, may influence demand for our services, or may require us to incur significant additional costs, any of which could negatively impact our business.

***Failure to comply with trade compliance laws and regulations applicable to our operations may subject us to liability and result in mandatory or voluntary disclosures to government agencies of transactions or dealings involving sanctioned countries, entities or individuals.***

As a result of our acquisition activities, we acquired companies with business operations outside the U.S., some of which were not previously subject to certain U.S. laws and regulations, including trade sanctions administered by the Office of Foreign Assets Control (“OFAC”) of the U.S. Department of the Treasury. In the course of implementing our compliance processes with respect to the operations of these acquired companies, we have identified a number of transactions or dealings involving countries and entities that are subject to U.S. economic sanctions. As disclosed in our reports filed with the SEC, we filed initial voluntary disclosure of such matters with OFAC in August 2016. In August 2018, OFAC addressed these matters by responding with a cautionary letter to us. To our knowledge, OFAC is considering no further action in response to the voluntary disclosure filed by us in August 2016. We may, in the future, identify additional transactions or dealings involving sanctioned countries, entities or individuals. The transactions or dealings that we have identified to date, or other transactions or dealings that we may identify in the future, could result in negative consequences to us, including government investigations, penalties and reputational harm.

## **INDUSTRY RISK**

### **Risks related to Our Markets, Competition and Brexit**

***We operate in a highly competitive industry and, if we are unable to adequately address factors that may adversely affect our revenue and costs, our business could suffer.***

Competition in the transportation services industry is intense. Increased competition may lead to a reduction in revenues, reduced profit margins, or a loss of market share, any one of which could harm our business. There are many factors that could impair our profitability, including the following: (i) competition from other transportation services companies, some of which offer different services or have a broader coverage network, more fully developed information technology systems and greater capital resources than we do; (ii) a reduction in the rates charged by our competitors to gain business, especially during times of declining economic growth, which may limit our ability to maintain or increase our rates, maintain our operating margins or achieve significant growth in our business; (iii) shippers soliciting bids from multiple transportation providers for their shipping needs, which may result in the depression of freight rates or loss of business to competitors; (iv) the establishment by our competitors of cooperative relationships to increase their ability to address shipper needs; (v) decisions by our current or

prospective customers to develop or expand internal capabilities for some of the services we provide; and (vi) the development of new technologies or business models that could result in our disintermediation in certain services we provide.

***The withdrawal of the United Kingdom from the European Union may have a negative effect on global economic conditions, financial markets and our operations.***

In June 2016, a majority of voters in the U.K. voted in favor of the U.K.'s withdrawal from the EU ("Brexit") in a national referendum. On January 31, 2020, the U.K. withdrew from the EU. The referendum and subsequent withdrawal of the U.K. from the EU have created significant uncertainty about the future relationship between the U.K. and the EU and will have uncertain impacts on our transportation operations in Europe. In 2021, we derived approximately 7% of our revenue from the U.K. and an aggregate 17% from the rest of the European countries where we operate.

Following Brexit, the movement of goods between the U.K. and the remaining member states of the EU has become subject to additional inspections and documentation checks, which may create delays at ports of entry and departure and potential impacts on our ability to efficiently provide our transportation service. Moreover, currency volatility could drive a weaker U.K. pound which could result in a decrease in our reported consolidated financial results for the U.K., which are reported in U.S. dollars.

Any adverse consequences of Brexit, such as a deterioration in the U.K.'s or the EU's economic condition, currency exchange rates, bilateral trade agreements or regulatory trade environment, including the potential imposition of tariffs, could reduce demand for our services in the U.K. or the EU or otherwise have a negative impact on our operations, financial condition and results of operations.

## **INVESTMENT RISK**

***Our chairman and chief executive officer beneficially owns a large portion of our stock and has substantial control over us, which could limit other stockholders' ability to influence the outcome of key transactions, including changes of control, and any sales of our common stock by Mr. Jacobs (or the perception that such sales may occur) could adversely impact the volume of trading, liquidity and market price of our common stock.***

Under applicable SEC rules, our chairman and chief executive officer, Mr. Jacobs, beneficially owned approximately 10.7% of our outstanding common stock as of December 31, 2021. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders and our directors and officers (for example, if such persons decide to sell all or a portion of their shares), including shares beneficially owned by Mr. Jacobs, could adversely impact the volume of trading, liquidity and market price of our common stock.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

As of December 31, 2021, we operated approximately 771 locations, primarily in North America and Europe. These facilities are located in all 48 contiguous U.S. states, as well as globally.

<b>Segment (Location)</b>	<b>Leased Facilities</b>	<b>Owned Facilities</b>	<b>Customer Facilities <sup>(2)</sup></b>	<b>Total</b>
North American LTL	221	117	—	338
Brokerage and Other Services:				
North America	192	2	14	208
Europe	190	13	4	207
Other <sup>(1)</sup>	8	—	—	8
Brokerage and Other Services	390	15	18	423
Corporate	10	—	—	10
<b>Total</b>	<b>621</b>	<b>132</b>	<b>18</b>	<b>771</b>

(1) Locations not in North America or Europe; primarily in Asia.

(2) Includes leased locations and customer sites (owned or leased by customers).

We lease our current executive office located in Greenwich, Connecticut, as well as our national operations center in Charlotte, North Carolina, our shared-services center in Portland, Oregon and various office facilities in France, the U.K. and India to support our global executive and shared-services functions. We believe that our facilities are sufficient for our current needs.

**ITEM 3. LEGAL PROCEEDINGS**

Information with respect to certain legal proceedings is included in Note 18—Commitments and Contingencies to our Consolidated Financial Statements (included in Part II, Item 8 of this Annual Report) and is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” above.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Common Stock**

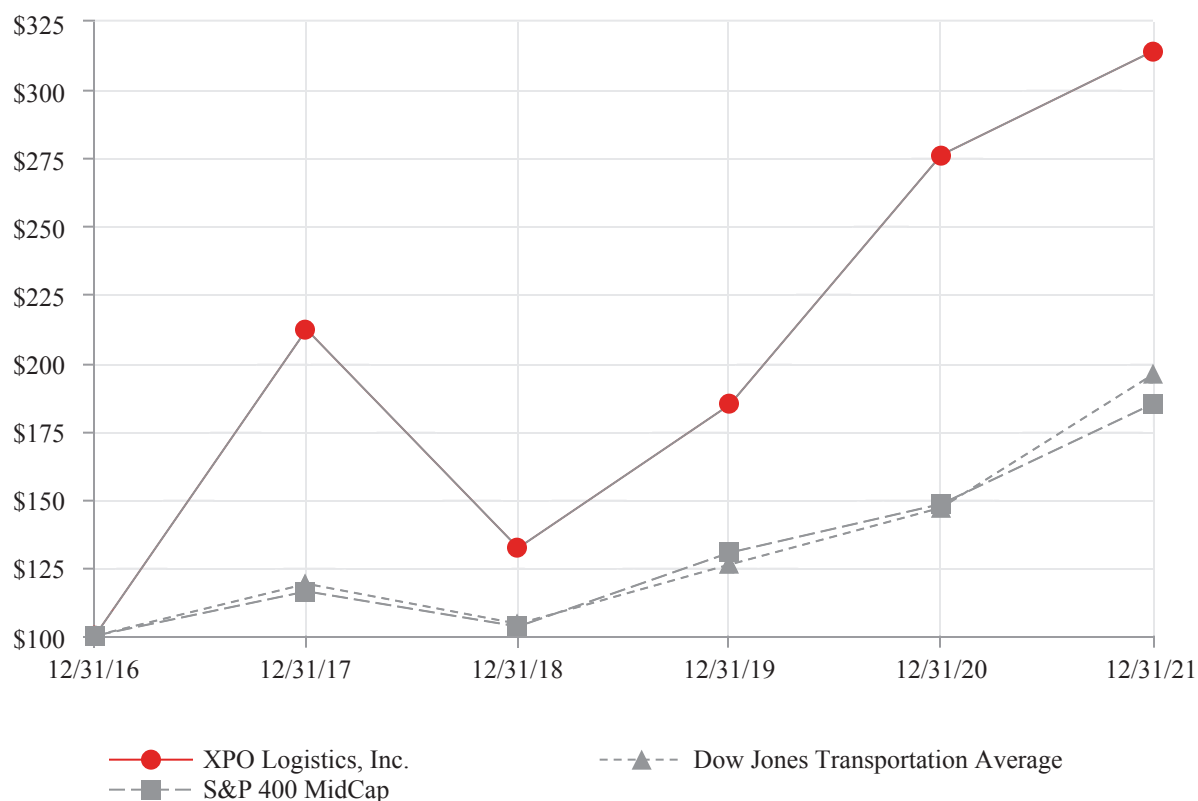
Our common stock is listed on the New York Stock Exchange (“NYSE”) under the symbol XPO.

As of February 11, 2022, there were approximately 115 registered holders of our common stock. We have never paid, and have no immediate plans to pay, cash dividends on our common stock.



## Stock Performance Graph

The graph below compares the cumulative five-year total return of holders of our common stock with the cumulative performance of the Dow Jones Transportation Average index and the S&P 400 MidCap index. The graph assumes that the value of the investment in our common stock and each index was \$100 on December 31, 2016 and that all dividends and other distributions, including the effect of the spin-off of GXO, were reinvested. The comparisons in the graph below are based on historical data and not indicative of, or intended to forecast, future performance of our common stock.



	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
XPO Logistics, Inc.	\$ 100.00	\$ 212.21	\$ 132.16	\$ 184.66	\$ 276.18	\$ 314.18
Dow Jones Transportation Average	\$ 100.00	\$ 119.02	\$ 104.35	\$ 126.09	\$ 146.92	\$ 195.72
S&P 400 MidCap	\$ 100.00	\$ 116.24	\$ 103.36	\$ 130.44	\$ 148.26	\$ 184.96

## Unregistered Sales of Equity Securities and Use of Proceeds

None.

## ITEM 6. *RESERVED*

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

**Overview**

XPO Logistics is a leading provider of freight transportation services. We use our proprietary technology to move goods efficiently through our customers' supply chains, primarily by providing less-than-truckload ("LTL") and truck brokerage services. These two core lines of business generated the majority of our 2021 revenue and operating income.

Our company has two reportable segments — (i) North American LTL and (ii) Brokerage and Other Services — and within each segment, we are a leading provider in vast, fragmented transportation sectors with growing penetration. We believe that our substantial exposure to secular industry growth trends, our first-mover advantage as an innovator and our blue-chip customer relationships are compelling competitive advantages.

On August 2, 2021, we completed the previously announced spin-off of our Logistics segment in a transaction intended to qualify as tax-free to XPO and our stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of 100% of the outstanding common stock of GXO Logistics, Inc. ("GXO") to XPO stockholders. XPO stockholders received one share of GXO common stock for every share of XPO common stock held at the close of business on July 23, 2021, the record date for the distribution. XPO does not beneficially own any shares of GXO's common stock following the spin-off. GXO is an independent public company trading under the symbol "GXO" on the New York Stock Exchange. The historical results of GXO are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented.

**Impacts of COVID-19 and Supply Chain Challenges**

As a leading provider of freight transportation services, our business can be impacted to varying degrees by factors beyond our control. The COVID-19 pandemic that emerged in 2020 affected, and may continue to affect, economic activity broadly and customer sectors served by our industry.

The onset of the COVID-19 pandemic and associated impacts on economic activity had adverse effects on our results of operations and financial condition beginning in the second quarter of 2020 and continued throughout the year. The rebound of our business began to occur midway through 2020; however, as the economy recovers, demand has outpaced supply in certain sectors. Additionally, labor shortages in the recovery – notably, a reduced supply of truck drivers – present challenges to many service industries, including freight transportation. These dynamics, together with equipment shortages and pent-up demand for semiconductor chips used by some of our end markets, have created supply chain disruptions and increased our cost of transportation and services. We cannot predict how long the current labor shortages and other disruptions will last, or whether future disruptions, if any, will adversely affect our results of operations.

We continue to incur net incremental and direct costs related to COVID-19 to ensure that we meet the needs of our employees and customers; these include costs for personal protective equipment ("PPE"), site cleanings and enhanced employee benefits, referred to as COVID-19-related costs in this Annual Report.

The totality of the actions we have taken during the pandemic, and continue to take, have mitigated the impact on our profitability relative to the impact on our revenue and volumes, while our strong liquidity and disciplined capital management enable us to continue to invest in key growth initiatives.

**Impact of Inflation**

Inflation can have a negative impact on our operating costs. A prolonged period of inflation could cause interest rates, fuel, wages and other costs to increase, which would adversely affect our results of operations unless our pricing to our customers correspondingly increases. For the year ended December 31, 2021, the constrained labor market resulted in higher third-party transportation and fuel costs to meet growing demand which were partially offset by increased pricing to our customers.

## Consolidated Summary Financial Results

<i>(Dollars in millions)</i>	Years Ended December 31,			Percent of Revenue		
	2021	2020	2019	2021	2020	2019
<b>Revenue</b>	\$ 12,806	\$ 10,199	\$ 10,681	100.0 %	100.0 %	100.0 %
Cost of transportation and services (exclusive of depreciation and amortization)	8,945	6,950	7,359	69.9 %	68.1 %	68.9 %
Direct operating expense (exclusive of depreciation and amortization)	1,391	1,235	1,186	10.9 %	12.1 %	11.1 %
Sales, general and administrative expense	1,322	1,210	1,068	10.3 %	11.9 %	10.0 %
Depreciation and amortization expense	476	470	467	3.7 %	4.6 %	4.4 %
Transaction and integration costs	37	75	5	0.3 %	0.7 %	— %
Restructuring costs	19	31	35	0.1 %	0.3 %	0.3 %
<b>Operating income</b>	616	228	561	4.8 %	2.2 %	5.3 %
Other income	(57)	(41)	(23)	(0.4)%	(0.4)%	(0.2)%
Foreign currency (gain) loss	(2)	(3)	10	— %	— %	0.1 %
Debt extinguishment loss	54	—	5	0.4 %	— %	— %
Interest expense	211	307	268	1.6 %	3.0 %	2.5 %
<b>Income (loss) from continuing operations before income tax provision (benefit)</b>	410	(35)	301	3.2 %	(0.3)%	2.8 %
Income tax provision (benefit)	87	(22)	60	0.7 %	(0.2)%	0.6 %
<b>Income (loss) from continuing operations</b>	323	(13)	241	2.5 %	(0.1)%	2.3 %
Income from discontinued operations, net of taxes	18	130	199	0.1 %	1.3 %	1.9 %
<b>Net income</b>	\$ 341	\$ 117	\$ 440	2.7 %	1.1 %	4.1 %

### *Year Ended December 31, 2021 Compared with Year Ended December 31, 2020*

Our consolidated revenue for 2021 increased by 25.6% to \$12.8 billion, from \$10.2 billion in 2020. The increase primarily reflects growth in both our LTL and truck brokerage businesses and the negative impact of COVID-19 in 2020, which decreased demand for our services. Foreign currency movement increased revenue by approximately 0.9 percentage points in 2021.

Cost of transportation and services (exclusive of depreciation and amortization) includes the cost of providing or procuring freight transportation for XPO customers and salaries paid to employee drivers in our LTL and truck brokerage businesses.

Cost of transportation and services (exclusive of depreciation and amortization) in 2021 was \$8.9 billion, or 69.9% of revenue, compared with \$7.0 billion, or 68.1% of revenue in 2020. The year-over-year increase as a percentage of revenue reflects the constrained labor market, which resulted in higher third-party transportation costs. These increases were partially offset by lower compensation-related costs, including COVID-19-related costs.

Direct operating expenses (exclusive of depreciation and amortization) are comprised of both fixed and variable expenses and consist of operating costs related to our LTL service centers. Direct operating expenses (exclusive of depreciation and amortization) consist mainly of personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, costs of materials and supplies, information technology expenses, and gains and losses on sales of property and equipment.

Direct operating expense (exclusive of depreciation and amortization) in 2021 was \$1.4 billion, or 10.9% of revenue, compared with \$1.2 billion, or 12.1% of revenue, in 2020. The year-over-year decrease as a percentage of revenue was primarily driven by lower COVID-19 related costs as well as the leveraging of compensation and facilities costs

across a larger revenue base. Additionally, 2021 and 2020 included \$73 million and \$90 million, respectively, from gains on sales of property and equipment.

Sales, general and administrative expense (“SG&A”) primarily consists of salaries and commissions for the sales function, salary and benefit costs for executive and certain administration functions, professional fees, facility costs, bad debt expense and legal costs.

SG&A was \$1.3 billion in 2021, or 10.3% of revenue, compared with \$1.2 billion, or 11.9% of revenue, in 2020. The year-over-year decrease in SG&A as a percentage of revenue was primarily driven by lower self-insurance expense, compensation costs, bad debt expense and third-party professional fees, as well as lower COVID-19-related costs. These impacts were partially offset by higher employee healthcare costs and legal costs, including \$31 million incurred in 2021 related to settlements in connection with classification of independent contractors at our intermodal drayage business unit. See Note 18—Commitments and Contingencies to our Consolidated Financial Statements for further information.

Depreciation and amortization expense in 2021 was \$476 million, compared with \$470 million in 2020.

Transaction and integration costs in 2021 were \$37 million, compared with \$75 million in 2020. Transaction and integration costs for 2021 and 2020 are primarily comprised of third-party professional fees related to strategic initiatives, including the spin-off of the Logistics segment, as well as retention awards paid to certain employees. Additionally, transaction and integration costs for 2020 included professional fees related to our previously announced exploration of strategic alternatives that was terminated in March 2020.

Restructuring costs in 2021 were \$19 million, compared with \$31 million in 2020. We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure, including actions in connection with our spin-off and in response to COVID-19. For more information, see Note 6—Restructuring Charges to our Consolidated Financial Statements. Upon successful completion of the restructuring initiatives recorded in 2021, we expect to achieve annualized pre-tax run-rate savings of approximately \$25 million by the end of 2022.

Other income primarily consists of pension income. Other income for 2021 was \$57 million, compared with \$41 million in 2020. The year-over-year increase reflects \$15 million of higher net periodic pension income in 2021.

Foreign currency (gain) loss was a \$2 million gain in 2021, compared with a \$3 million gain in 2020. Foreign currency (gain) loss in 2021 primarily reflected a realized gain on de-designated cross-currency contract. Foreign currency gain in 2020 primarily reflected unrealized gains on foreign currency option and forward contracts and a realized gain on a terminated net investment hedge, partially offset by foreign currency transaction and measurement losses. For additional information on our foreign currency option and forward contracts, see Note 11—Derivative Instruments to our Consolidated Financial Statements.

Debt extinguishment loss was \$54 million in 2021. In 2021, we redeemed our outstanding senior notes due 2022, 2023 and 2024 and wrote-off related debt issuance costs, incurred a pre-payment penalty on the redemption of the 2024 senior notes and incurred costs related to the amendment of our term loan credit agreement. There were no debt extinguishment losses in 2020.

Interest expense for 2021 decreased 31.3% to \$211 million, from \$307 million in 2020. The decrease in interest expense reflected the lower average debt balances, including the redemption of our senior notes and amendment of our term loan agreement.

Our consolidated income (loss) from continuing operations before income taxes in 2021 was income of \$410 million, compared with a loss of \$35 million in 2020. The increase primarily was driven by higher operating income and lower interest expense, partially offset by the debt extinguishment loss recorded in 2021. With respect to our U.S. operations, income from continuing operations before income taxes was income of \$420 million in 2021, compared with income of \$45 million in 2020. The increase was primarily due to higher revenue, in part from the negative impact of COVID-19 on our 2020 results, partially offset by higher third-party transportation, fuel and personnel costs. Additionally impacting the increase was lower interest expense, partially offset by the debt extinguishment loss recorded in 2021. With respect to our non-U.S. operations, loss from continuing operations

before income taxes was \$10 million in 2021, compared with a loss of \$80 million in 2020. The decrease in the loss was primarily due to higher revenues, in part from the negative impact of COVID-19 on our 2020 results, partially offset by higher third-party transportation, fuel and personnel costs.

Our effective income tax rates were 21.3% and 63.4% in 2021 and 2020, respectively. The decrease in our effective income tax rate for the year ended December 31, 2021 compared to the year ended December 31, 2020 was primarily driven by reduced contribution and margin-based taxes coupled with increased pre-tax book income and the impact of discrete items. For the year ended December 31, 2021, our effective tax rate was impacted by discrete tax benefits of \$45 million related to a tax planning initiative that resulted in the recognition of a long-term capital loss partially offset by discrete tax expenses of \$39 million related to foreign valuation allowances, of which \$34 million of the valuation allowances were transferred to GXO. Additionally, impacting the year ended December 31, 2021, were \$8 million of non-deductible compensation, discrete tax benefits of \$8 million resulting from changes in reserves for uncertain tax positions and discrete tax benefits of \$6 million related to stock-based compensation.

For the year ended December 31, 2020, our effective tax rate was impacted primarily by a pre-tax book loss, \$8 million of contribution and margin-based taxes, foreign rate differential benefit of \$3 million, discrete tax benefits of \$15 million related to stock-based compensation and \$6 million of discrete tax benefits related to provision to return adjustments, partially offset by a discrete tax expense of \$4 million related to changes in reserves for uncertain tax positions.

#### ***Year Ended December 31, 2020 Compared with Year Ended December 31, 2019***

Our consolidated revenue for 2020 decreased by 4.5% to \$10.2 billion, from \$10.7 billion in 2019. The decline in revenue primarily reflected the impact of COVID-19 and lower fuel revenue. Foreign currency movement increased revenue by approximately 0.4 percentage points in 2020.

Cost of transportation and services (exclusive of depreciation and amortization) in 2020 was \$7.0 billion, or 68.1% of revenue, compared with \$7.4 billion, or 68.9% of revenue in 2019. The year-over-year decrease as a percentage of revenue reflects lower fuel costs, partially offset by higher third-party transportation costs and incremental PPE and other COVID-19-related costs.

Direct operating expense (exclusive of depreciation and amortization) in 2020 was \$1.2 billion, or 12.1% of revenue, compared with \$1.2 billion, or 11.1% of revenue, in 2019. The year-over-year increase as a percentage of revenue was primarily driven by higher facility and payroll costs and incremental PPE and other COVID-19-related costs. Additionally, 2020 and 2019 included \$90 million and \$101 million, respectively, from gains on sales of property and equipment.

SG&A was \$1.2 billion in 2020, or 11.9% of revenue, compared with \$1.1 billion, or 10.0% of revenue, in 2019. The year-over-year increase in SG&A as a percentage of revenue was primarily driven by higher compensation costs, increased self-insurance and bad debt expense and incremental PPE and other COVID-19-related costs. Compensation costs were higher in 2020 compared to the prior year due to the strength of our operating performance in a challenging macro-environment.

Depreciation and amortization expense in 2020 was \$470 million, compared with \$467 million in 2019.

Transaction and integration costs in 2020 were \$75 million, compared with \$5 million in 2019. Transaction and integration costs for 2020 are primarily related to our previously announced exploration of strategic alternatives that was terminated in March 2020.

Restructuring costs in 2020 were \$31 million, compared with \$35 million in 2019. We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure, including actions in response to COVID-19.

Other income primarily consists of pension income. Other income for 2020 was \$41 million, compared with \$23 million in 2019. The year-over-year increase reflects \$21 million of higher net periodic pension income in 2020.

Foreign currency (gain) loss was a \$3 million gain in 2020, compared with a \$10 million loss in 2019. Foreign currency gain in 2020 primarily reflected unrealized gains on foreign currency option and forward contracts and a realized gain on a terminated net investment hedge, partially offset by foreign currency transaction and measurement losses. Foreign currency loss in 2019 primarily reflected unrealized losses on foreign currency option and forward contracts.

Debt extinguishment loss was \$5 million in 2019 and related to the write-off of debt issuance costs for an unsecured credit facility (“Unsecured Credit Facility”) that was repaid in 2019. There were no debt extinguishment losses in 2020.

Interest expense for 2020 increased 14.6% to \$307 million, from \$268 million in 2019. The increase in interest expense was primarily due to higher average total indebtedness, including the senior notes due 2025 (the “Senior Notes due 2025”) that were issued in the second quarter of 2020, partially offset by lower interest rates in 2020.

Our consolidated income (loss) from continuing operations before income taxes in 2020 was a loss of \$35 million, compared with income of \$301 million in 2019. The decrease primarily was driven by lower operating income and higher interest expense, partially offset by higher other income. With respect to our U.S. operations, income from continuing operations before income taxes was \$45 million, compared with income of \$286 million in 2019. The decrease was primarily due to the impact of COVID-19 and higher interest expense. With respect to our non-U.S. operations, loss from continuing operations before income taxes was \$80 million in 2020, compared to income of \$15 million in 2019. The decrease was primarily due to the impact of COVID-19.

Our effective income tax rates were 63.4% and 19.7% in 2020 and 2019, respectively. The increase in our effective income tax rate for the year ended December 31, 2020 compared to the year ended December 31, 2019 was primarily driven by a significant reduction in pre-tax book income and discrete items. For the year ended December 31, 2020, our effective tax rate was impacted primarily by a pre-tax book loss, \$8 million of contribution and margin-based taxes, foreign rate differential benefit of \$3 million, discrete tax benefits of \$15 million related to stock-based compensation and \$6 million of discrete tax benefits related to provision to return adjustments, partially offset by a discrete tax expense of \$4 million related to changes in reserves for uncertain tax positions. Contribution and margin-based tax expense did not materially change for the year ended December 31, 2020 as compared to the prior year. However, these items had a significant impact on the Company’s 2020 effective tax rate, primarily due to the pre-tax book loss in 2020 as compared to higher pre-tax book income in 2019. For the year ended December 31, 2019, our effective tax rate was impacted by \$8 million of contribution and margin-based taxes offset by discrete tax benefits of \$5 million related to changes in reserves for uncertain tax positions.

The U.S. Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) enacted in March 2020 provided numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. We applied the provisions of the CARES Act relating to income taxes and realized a \$4 million reduction in cash taxes as well as an immaterial income tax benefit on our Consolidated Statements of Income in 2020. Additionally, we benefited from the ability to defer the payment of certain payroll taxes that would otherwise have been required in 2020. We have not applied for any government loans under the CARES Act or similar laws.

### **Segment Financial Results**

Our chief operating decision maker (“CODM”) regularly reviews financial information at the operating segment level to allocate resources to the segments and to assess their performance. Our CODM evaluates segment profit (loss) based on adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), which we define as income (loss) from continuing operations before debt extinguishment loss, interest expense, income tax, depreciation and amortization expense, litigation settlements for significant matters, transaction and integration costs, restructuring costs and other adjustments. See Note 4—Segment Reporting and Geographic Information for further information and a reconciliation of Adjusted EBITDA to Income (loss) from continuing operations.

## North American Less-Than-Truckload Segment

<i>(Dollars in millions)</i>	Years Ended December 31,			Percent of Revenue		
	2021	2020	2019	2021	2020	2019
<b>Revenue</b>	\$ 4,118	\$ 3,539	\$ 3,791	100.0 %	100.0 %	100.0 %
<b>Adjusted EBITDA</b>	904	764	851	21.9 %	21.6 %	22.4 %
<b>Depreciation and amortization expense</b>	226	224	227	5.5 %	6.3 %	6.0 %

### *Year Ended December 31, 2021 Compared with Year Ended December 31, 2020*

Revenue in our North American LTL segment increased 16.4% to \$4.1 billion in 2021, compared with \$3.5 billion in 2020. Revenue included fuel surcharge revenue of \$632 million and \$433 million, respectively, for the years ended December 31, 2021 and 2020.

We evaluate the revenue performance of our LTL business using several commonly used metrics, including volume (weight per day in pounds) and yield, which is a commonly used measure of LTL pricing trends. We measure yield using gross revenue per hundredweight excluding fuel surcharges. Impacts on yield can include weight per shipment and length of haul, among other factors. The following table summarizes our key revenue metrics:

	Years Ended December 31,		
	2021	2020	Change %
Pounds per day (thousands)	71,739	67,725	5.9 %
Gross revenue per hundredweight, excluding fuel surcharges	\$ 19.80	\$ 18.63	6.3 %

The year-over-year increase in revenue for 2021 reflects an increase in average weight per day and gross revenue per hundredweight. The increase in weight per day for 2021 reflects higher shipments per day and weight per shipment.

Adjusted EBITDA was \$904 million, or 21.9% of revenue, in 2021, compared with \$764 million, or 21.6% of revenue, in 2020. The increase in adjusted EBITDA was primarily driven by higher revenue and pension income, partially offset by higher personnel, third-party transportation and fuel costs. Additionally, adjusted EBITDA for 2021 included lower year-over-year gains from real estate transactions, including a \$62 million gain in 2021, compared with \$77 million in 2020.

### *Year Ended December 31, 2020 Compared with Year Ended December 31, 2019*

Revenue in our North American LTL segment decreased 6.6% to \$3.5 billion in 2020, compared with \$3.8 billion in 2019. Revenue included fuel surcharge revenue of \$433 million and \$532 million, respectively, for the years ended December 31, 2020 and 2019. The decline in revenue reflected the impact of COVID-19.

The following table summarizes our key revenue metrics:

	Years Ended December 31,		
	2020	2019	Change %
Pounds per day (thousands)	67,725	73,059	(7.3)%
Gross revenue per hundredweight, excluding fuel surcharges	\$ 18.63	\$ 18.27	2.0 %

The year-over-year decrease in revenue for 2020 reflects a decrease in average weight per day in part due to COVID-19, partially offset by an increase in gross revenue per hundredweight. The decrease in weight per day reflects lower shipments per day and weight per shipment.

Adjusted EBITDA was \$764 million, or 21.6% of revenue, in 2020, compared with \$851 million, or 22.4% of revenue, in 2019. The decrease in adjusted EBITDA was primarily driven by lower revenue and higher facility costs, partially offset by lower fuel, third-party transportation and personnel costs, as well as higher pension income. Additionally, adjusted EBITDA included \$77 million and \$88 million in 2020 and 2019, respectively, of gains from real estate transactions.

## Brokerage and Other Services Segment

<i>(Dollars in millions)</i>	Years Ended December 31,			Percent of Revenue		
	2021	2020	2019	2021	2020	2019
<b>Revenue</b>	\$ 8,907	\$ 6,800	\$ 7,041	100.0 %	100.0 %	100.0 %
<b>Adjusted EBITDA</b>	547	284	406	6.1 %	4.2 %	5.8 %
<b>Depreciation and amortization expense</b>	240	229	220	2.7 %	3.4 %	3.1 %

### *Year Ended December 31, 2021 Compared with Year Ended December 31, 2020*

Revenue in our Brokerage and Other Services segment increased 31.0% to \$8.9 billion in 2021, compared with \$6.8 billion in 2020. The increase in revenue compared to 2020 reflects an increase in North American truck brokerage loads per day facilitated by our digital platform, as well as strength in other brokerage services, in part due to improving market conditions in the economic recovery from the COVID-19 pandemic. These gains were partially offset by the impact of the global semiconductor shortage, which constrained customer demand for freight transportation services in North America and Europe. Foreign currency movement increased revenue by approximately 1.4 percentage points in 2021.

Adjusted EBITDA was \$547 million, or 6.1% of revenue in 2021, compared with \$284 million, or 4.2% of revenue, in 2020. The increase in adjusted EBITDA was primarily driven by higher revenue due to load growth and strong pricing in other brokerage services, partially offset by higher compensation and facilities costs.

### *Year Ended December 31, 2020 Compared with Year Ended December 31, 2019*

Revenue in our Brokerage and Other Services segment decreased 3.4% to \$6.8 billion in 2020, compared with \$7.0 billion in 2019. The decline in revenue primarily reflected the impact of COVID-19 and lower fuel revenue. Foreign currency movement increased revenue by approximately 0.7 percentage points in 2020.

Adjusted EBITDA was \$284 million, or 4.2% of revenue in 2020, compared with \$406 million, or 5.8% of revenue, in 2019. The decrease in adjusted EBITDA was primarily driven by lower revenue, partially offset by lower third-party transportation, fuel and personnel costs. Depreciation and amortization expense in 2019 included \$6 million related to the impairment of customer relationship intangible assets associated with exiting the direct postal injection business.

## Liquidity and Capital Resources

Our principal existing sources of cash are (i) cash generated from operations; (ii) borrowings available under our Second Amended and Restated Revolving Loan Credit Agreement, as amended (the “ABL Facility”); and (iii) proceeds from the issuance of other debt. As of December 31, 2021, we have \$995 million available to draw under our ABL Facility, based on a borrowing base of \$1.0 billion and outstanding letters of credit of \$5 million. Additionally, under a credit agreement, we have a \$200 million uncommitted secured evergreen letter of credit facility, under which we have issued \$198 million in aggregate face amount of letters of credit as of December 31, 2021.

In July 2021, we amended our existing ABL facility which matures in April 2024 to reduce the commitments from \$1.1 billion to \$1.0 billion. There were no other significant changes made to the terms of the facility, including the maturity date, the interest rate margin, and financial covenants.

Our cash and cash equivalents balance was \$260 million as of December 31, 2021, compared to \$1.7 billion as of December 31, 2020. The decrease in cash and cash equivalents is largely due to the repayment of debt in 2021 described below.

We continually evaluate our liquidity requirements in light of our operating needs, growth initiatives and capital resources. We believe that our existing liquidity and sources of capital are sufficient to support our operations over the next 12 months.



### **Trade Receivables Securitization and Factoring Programs**

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Consolidated Statements of Cash Flows. We also sell trade accounts receivable under a securitization program described below. We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

Our European business participates in a trade receivables securitization program co-arranged by two European banks (the “Purchasers”). Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO sells trade receivables that originate with wholly-owned subsidiaries in the United Kingdom and France to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and is consolidated by XPO based on our control of the entity’s activities. The program expires in July 2024.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Consolidated Balance Sheets at the date of transfer. The fair value of any servicing assets and liabilities is immaterial. Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables, which we report within short-term debt on our Consolidated Balance Sheets.

The maximum amount of net cash proceeds available at any one time under the securitization program, inclusive of any unsecured borrowings, is €200 million (approximately \$227 million as of December 31, 2021). Prior to July 2021, when the securitization program was amended in connection with the spin-off, the maximum amount available was €400 million. As of December 31, 2021, the maximum amount available under the program was utilized.

Under the current program, we service the receivables we sell on behalf of the Purchasers, which gives us visibility into the timing of customer payments. The benefit to our cash flow includes the difference between the cash consideration in the table below and the amount we collected as a servicer on behalf of the Purchasers. In 2021 and 2020, we collected cash as servicer of \$1.7 billion and \$1.4 billion, respectively.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>
<b>Securitization programs</b>			
Receivables sold in period	\$ 1,726	\$ 1,377	\$ 1,217
Cash consideration	1,726	1,377	1,161
Deferred purchase price	—	—	57
<b>Factoring programs</b>			
Receivables sold in period	72	76	64
Cash consideration	72	75	65

(1) Information for the years ended December 31, 2021, 2020 and 2019 exclude the impact of the Logistics segment.

In addition to the cash considerations referenced above, we received \$75 million in the year ended December 31, 2019, for the realization of cash on the deferred purchase price receivable for our prior securitization program.

### ***Letters of Credit Facility***

In 2020, we entered into a credit agreement that contained a \$200 million uncommitted secured evergreen letter of credit facility. The letter of credit facility had an initial one-year term, which automatically renewed for an additional year, and may automatically renew with one-year terms until the letter of credit facility terminates. As of December 31, 2021, we have issued \$198 million in aggregate face amount of letters of credit. The credit agreement governing the letter of credit facility contains representations and warranties and affirmative and negative covenants customary for financings of this type as well as customary events of default.

### ***Term Loan Facilities***

In 2021, we amended our senior secured term loan credit agreement (the “Term Loan Credit Agreement”) to consolidate our tranches and lower the interest rate. We recorded a debt extinguishment loss of \$3 million in 2021 due to this amendment. In March 2019, we entered into an amendment to our Term Loan Credit Agreement and borrowed an additional \$500 million of incremental loans under a new tranche of term loans. Proceeds from the new tranche of loans were used for general corporate purposes, including funding purchases of our common stock as described in Note 14—Stockholders’ Equity. For more information on these amendments, refer to Note 12—Debt to our Consolidated Financial Statements.

### ***Senior Notes***

In the third quarter of 2021, we redeemed our outstanding 6.125% senior notes due 2023 (“Senior Notes due 2023”) and our outstanding 6.75% senior notes due 2024 (“Senior Notes due 2024”). The Senior Notes due 2024 were originally issued in 2019 and the proceeds were used to repay our outstanding obligation under the Unsecured Credit Facility described below and to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity. The redemption price for the Senior Notes due 2023 was 100.0% of the principal amount, plus accrued and unpaid interest and the redemption price for the Senior Notes due 2024 was 103.375% of the principle amount, plus accrued and unpaid interest. We paid for the redemption using cash received from GXO of approximately \$794 million, proceeds from an equity offering described in Note 14—Stockholders’ Equity and available cash. We recorded debt extinguishment losses of \$3 million and \$43 million in 2021 related to the redemption of the Senior Notes due 2023 and Senior Notes due 2024, respectively.

In January 2021, we redeemed our outstanding 6.50% senior notes due 2022 (“Senior Notes due 2022”) that were originally issued in 2015. The redemption price for the notes was 100.0% of the principal amount, plus accrued and unpaid interest. We paid for the redemption with available cash, including the net proceeds from the issuance of our 6.25% senior notes due 2025 (“Senior Notes due 2025”) as described below. We recorded a debt extinguishment loss of \$5 million in 2021 due to this redemption.

In 2020, we completed private placements of \$1.15 billion aggregate principal amount of Senior Notes due 2025. Net proceeds from the notes were initially invested in cash and cash equivalents and were subsequently used in 2021 to redeem our outstanding Senior Notes due 2022 as described above.

In February 2019, we completed a private placement of \$1.0 billion aggregate principal amount of our Senior Notes due 2024. We used the proceeds from the Senior Notes due 2024 to repay our outstanding obligation under the Unsecured Credit Facility described below and to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity to our Consolidated Financial Statements.

### ***Unsecured Credit Facility***

In December 2018, we entered into a \$500 million Unsecured Credit Facility and borrowed \$250 million. We borrowed an additional \$250 million in January 2019. We used the proceeds of both borrowings to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity to our Consolidated Financial Statements. In connection with the issuance of the Senior Notes due 2024 described above, we repaid our outstanding obligations under the Unsecured Credit Facility and terminated it in February 2019. We recorded a debt extinguishment loss of \$5 million in 2019 in connection with this repayment.

### ***Preferred Stock and Warrant Exchanges***

In December 2020, some holders of our convertible preferred stock exchanged their holdings for a combination of our common stock, based on the stated conversion price, and a lump-sum payment that represents an approximation of the net present value of the future dividends payable on the preferred stock. Additionally, some holders of our warrants exchanged (or committed to exchange subject to the satisfaction of certain customary closing conditions) their holdings, including Jacobs Private Equity, LLC (“JPE”), an entity controlled by the Company’s chairman and chief executive officer, for a number of shares of our common stock equal to the number of shares of common stock that such holder would be entitled to receive upon an exercise of the warrants less the number of shares of common stock that have an approximate value equal to the exercise price of the warrants. With respect to the preferred stock, through December 31, 2020, 69,445 shares were exchanged, and we issued 9.9 million shares of common stock and paid \$22 million of cash. The \$22 million was reflected as a preferred stock conversion charge in 2020 in the accompanying consolidated financial statements. With respect to the warrants, through December 31, 2020, 0.3 million warrants were exchanged, and we issued 0.3 million shares of common stock.

In 2021, the remaining 1,015 preferred shares were exchanged, and we issued 0.1 million shares of common stock. With respect to the warrants, in 2021, 9.8 million warrants were exchanged, and we issued 9.2 million shares of common stock. These exchanges were intended to simplify our equity capital structure, including in contemplation of the spin-off of our Logistics segment. As of December 31, 2021, there were no shares of preferred stock or warrants outstanding.

### ***Share Repurchases***

In December 2018, our Board of Directors authorized the repurchase of up to \$1 billion of our common stock, which was completed in the first quarter of 2019. The share repurchases were funded by our Unsecured Credit Facility and available cash.

In February 2019, our Board of Directors authorized additional repurchases of up to \$1.5 billion of our common stock. The 2019 authorization permits us to purchase shares in both the open market and in private transactions, with the timing and number of shares dependent on a variety of factors, including price, general business conditions, market conditions, alternative investment opportunities and funding considerations. We are not obligated to repurchase any specific number of shares and may suspend or discontinue the program at any time. The share purchases under this program have been funded by our available cash and proceeds from our 2019 debt offerings.

There were no share repurchases in 2021. Our remaining share repurchase authorization as of December 31, 2021 is \$503 million. Information regarding our shares repurchased, based on settlement date, in 2020 and 2019 were as follows:

<i>(In millions, except per share data)</i>	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Shares purchased and retired	2	25
Aggregate value	\$ 114	\$ 1,347
Average price per share	\$ 66.58	\$ 53.41
Remaining authorization	\$ 503	\$ 617

### ***Loan Covenants and Compliance***

As of December 31, 2021, we were in compliance with the covenants and other provisions of our debt agreements. Any failure to comply with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

## LIBOR

Uncertainty related to the London Interbank Offered Rate (“LIBOR”) phase-out by June 2023 for USD LIBOR with greater than two-month maturities may adversely impact the value of, and our obligations under, our ABL and term loan facilities. See the applicable discussion under Item 1A, “Risk Factors.”

## Sources and Uses of Cash

Our cash flows from operating, investing and financing activities from continuing operations, as reflected on our Consolidated Statements of Cash Flows, are summarized as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
Net cash provided by operating activities from continuing operations	\$ 656	\$ 388	\$ 629
Net cash used in investing activities from continuing operations	(184)	(116)	(67)
Net cash provided by (used in) financing activities from continuing operations	(1,932)	1,154	(201)

During 2021, we: (i) generated cash from operating activities from continuing operations of \$656 million; (ii) generated proceeds from sales of property and equipment of \$132 million; (iii) received a distribution from GXO of \$794 million and (iv) generated proceeds of \$384 million from the issuance of common stock. We used cash during this period primarily to: (i) purchase property and equipment of \$313 million; (ii) redeem our senior notes due 2022, 2023 and 2024 for \$2.8 billion; (iii) repay our ABL Facility borrowings of \$200 million and (iv) make payments on debt and finance leases of \$80 million.

During 2020, we: (i) generated cash from operating activities from continuing operations of \$388 million; (ii) generated proceeds from sales of property and equipment (primarily real estate) of \$183 million and (iii) received net proceeds of \$1.4 billion from our issuances of debt and short-term borrowings. We used cash during this period primarily to: (i) purchase property and equipment of \$303 million; (ii) repurchase common stock of \$114 million and (iii) make payments on debt and finance leases of \$65 million.

Cash flows from operating activities from continuing operations for 2021 increased by \$268 million compared with 2020. The increase reflects higher income from continuing operations of \$336 million for 2021 compared with the same period in 2020, partially offset by greater use of cash for working capital in 2021 than in the prior-year period. Additionally, cash paid for taxes was \$44 million higher in 2021 compared to 2020.

Cash flows from operating activities from continuing operations for 2020 decreased by \$241 million compared with 2019. The decrease reflects lower income from continuing operations, partially offset by the impact of operating assets and liabilities utilizing \$84 million less cash in 2020. Within operating assets and liabilities, accrued expenses and other liabilities was a source of cash for 2020 as compared to a use of cash in 2019. This fluctuation primarily reflects the deferral of certain tax payments and an increase in compensation and purchased transportation accruals in 2020. Partially offsetting the impact of accrued expenses and other liabilities was the higher use of cash due to increased accounts receivable as a result of higher revenues in the fourth quarter of 2020 compared to 2019.

As of December 31, 2021, we had \$1.1 billion of operating lease and related interest payment obligations, of which \$206 million is due within the next twelve months. Additionally, we had operating leases that have not yet commenced with future undiscounted lease payments of \$11 million. These operating leases will commence in 2022 with initial lease terms of 3 years to 7 years. For further information on our operating leases and their maturities, see Note 8—Leases to our Consolidated Financial Statements.

Investing activities from continuing operations used \$184 million of cash in 2021 compared with \$116 million used in 2020 and \$67 million used in 2019. During 2021, we used \$313 million of cash to purchase property and equipment and received \$132 million from sales of property and equipment. During 2020, we used \$303 million of cash to purchase property and equipment and received \$183 million of cash from sales of property and equipment. During 2019, we used \$379 million of cash to purchase property and equipment, received \$237 million of cash from

sales of property and equipment and received proceeds of \$75 million related to the realization of cash on deferred purchase price receivable. We anticipate net capital expenditures to be between \$425 million and \$475 million in 2022, funded by cash on hand and available liquidity.

Financing activities from continuing operations used \$1.9 billion of cash in 2021 compared with \$1.2 billion of cash generated in 2020 and \$201 million used in 2019. The primary uses of cash from financing activities from continuing operations during 2021 were \$2.8 billion used to redeem the senior notes due 2022, 2023 and 2024 and \$200 million used to repay borrowings under our ABL Facility. The primary sources of cash from financing activities from continuing operations during 2021 were \$794 million of proceeds from a distribution from GXO and \$384 million of net proceeds from our common offering. In July 2021, GXO completed a debt offering and used the net proceeds to fund a cash payment from GXO to XPO. The primary sources of cash from financing activities from continuing operations in 2020 were \$1.1 billion of net proceeds from the issuance of Senior Notes due 2025; \$200 million of proceeds from borrowings on our ABL Facility, net of payments, and \$23 million from net borrowings related to our securitization program. The primary uses of cash from financing activities from continuing operations in 2020 were \$114 million used to repurchase XPO common stock and \$65 million used to repay debt and finance leases. The primary uses of cash from financing activities from continuing operations in 2019 were \$1.3 billion to repurchase XPO common stock and \$569 million used to repay debt and finance leases. The primary source of cash from financing activities from continuing operations in 2019 was \$1.7 billion of net proceeds from the issuance of long-term debt.

As of December 31, 2021, we had \$3.5 billion total outstanding principal amount of debt, excluding finance leases. We have no significant debt maturities until 2025. Interest on our ABL and Term Loan facilities are variable, while interest on our senior notes are at fixed rates. Future interest payments associated with our debt total \$623 million at December 31, 2021, with \$130 million payable within 12 months, and are estimated based on the principal amount of debt and applicable interest rates as of December 31, 2021. Additionally, as of December 31, 2021, we have \$255 million of finance lease and related interest payment obligations, of which \$61 million is due within the next twelve months. For further information on our debt facilities and maturities, see Note 12—Debt to our Consolidated Financial Statements. For further information on our finance lease maturities, see Note 8—Leases to our Consolidated Financial Statements.

### ***Defined Benefit Pension Plans***

We sponsor both funded and unfunded defined benefit plans for some employees in the U.S. Historically, we have realized income, rather than expense, from these plans. We generated aggregate income from our plans of \$61 million in 2021, \$48 million in 2020 and \$24 million in 2019. The plans have been generating income due to their funded status and because they do not allow for new plan participants or additional benefit accruals.

Defined benefit pension plan amounts are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligations and fair value of plan assets represent our best estimates based on available information regarding historical experience and factors that may cause future expectations to differ. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense or income.

### ***Discount Rate***

In determining the appropriate discount rate, we are assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated AA or better by Moody's, S&P or Fitch rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

The discount rates used in determining the net periodic benefit costs and benefit obligations are as follows:

	Qualified Plans		Non-Qualified Plans	
	2021	2020	2021	2020
Discount rate - net periodic benefit costs	1.96 %	2.96 %	1.11% - 1.71%	2.40% - 2.78%
Discount rate - benefit obligations	2.84 %	2.48 %	2.19% - 2.72%	1.62% - 2.30%

An increase or decrease of 25 basis points in the discount rate would decrease or increase our 2021 pre-tax pension income by approximately \$3 million.

We use a full yield curve approach to estimate the interest cost component of net periodic benefit cost by applying specific spot rates along the yield curve used to determine the benefit obligation to each of the underlying projected cash flows based on time until payment.

#### *Rate of Return on Plan Assets*

We estimate the expected return on plan assets using current market data as well as historical returns. The expected return on plan assets is based on estimates of long-term returns and considers the plans' anticipated asset allocation over the course of the next year. The plan assets are managed using a long-term liability-driven investment strategy that seeks to mitigate the funded status volatility by increasing participation in fixed-income investments generally as funded status increases. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans.

For the year ended December 31, 2021, our expected return on plan assets was \$101 million, compared to the actual return on plan assets of \$25 million. The actual annualized return on plan assets for 2021 was approximately 1%, which was below the expected return on asset assumption for the year due to negative performance in a long duration fixed income market environment, which represented 86% of the portfolio, partially offset by positive performance from the domestic and international equity markets. An increase or decrease of 25 basis points in the expected return on plan assets would increase or decrease our 2021 pre-tax pension income by approximately \$5 million.

#### *Actuarial Gains and Losses*

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets results in unrecognized actuarial gains or losses. For our defined benefit pension plans, accumulated unrecognized actuarial losses were \$43 million as of December 31, 2021. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants.

#### *Effect on Results*

The effects of the defined benefit pension plans on our results consist primarily of the net effect of the interest cost on plan obligations and the expected return on plan assets. We estimate that the defined benefit pension plans will contribute annual pre-tax income in 2022 of \$60 million.

#### *Funding*

In determining the amount and timing of pension contributions, we consider our cash position, the funded status as measured by the Pension Protection Act of 2006 and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We contributed \$6 million in 2021 and 2020 to the non-qualified plans, respectively, and we estimate that we will contribute \$5 million in 2022.

For additional information, see Note 13—Employee Benefit Plans to our Consolidated Financial Statements.

## **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. A summary of our significant accounting policies is contained in Note 2—Basis of Presentation and Significant Accounting Policies to our Consolidated Financial Statements. The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. Although actual results may differ from estimated results, we believe the estimates are reasonable and appropriate.

### ***Evaluation of Goodwill***

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, at the amount a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Our reporting units are our operating segments or one level below our operating segments for which discrete financial information is prepared and regularly reviewed by segment management. Application of the goodwill impairment test requires judgment, including the identification of reporting units, the assignment of assets and liabilities to reporting units, the assignment of goodwill to reporting units, and a determination of the fair value of each reporting unit.

Accounting guidance allows entities to perform a qualitative assessment (a “step-zero” test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the entity does not need to perform a quantitative analysis for that reporting unit. The qualitative assessment includes a review of macroeconomic conditions, industry and market considerations, internal cost factors, and overall financial performance, among other factors.

For our 2021 goodwill assessment, we performed a step-zero qualitative analysis for our three reporting units. Based on the qualitative assessments performed, we concluded that it was not more-likely-than-not that the fair value of each of our reporting units was less than their carrying amounts and, therefore, further quantitative analysis was not performed, and we did not recognize any goodwill impairment.

For our 2020 goodwill assessment, we performed a quantitative analysis for the five reporting units that existed at the time of the assessment using a combination of income and market approaches with the assistance of a third-party valuation appraiser. As of August 31, 2020, we completed our annual impairment test for goodwill with all of our reporting units having fair values in excess of their carrying values, resulting in no impairment of goodwill. Our number of reporting units decreased from five in 2020 to three in 2021 as a result of the spin-off and other organizational changes.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The discount rates reflect management's judgment and are based on a risk adjusted weighted-average cost of capital utilizing industry market data of businesses similar to the reporting units. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. Our forecasts also reflect expectations concerning future economic conditions, interest rates and other market data. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry. We believe this approach, which utilizes multiple valuation techniques, yields the most appropriate evidence of fair value.

Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

### ***Self-Insurance Accruals***

We use a combination of self-insurance programs and purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo, workers' compensation, cyber risk and property claims. We periodically evaluate our level of insurance coverage and adjust our insurance levels based on risk tolerance and premium expense. Liabilities for the risks we retain, including estimates of claims incurred but not reported, are not discounted and are estimated, in part, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. Additionally, claims may emerge in future years for events that occurred in a prior year at a rate that differs from previous actuarial projections. We believe the actuarial methods are appropriate for measuring these self-insurance accruals. However, based on the number of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

### ***Income Taxes***

Our annual effective tax rate is based on our income and statutory tax rates in the various jurisdictions in which we operate. Judgment and estimates are required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. Evaluating our tax positions would include but not be limited to our tax positions on internal restructuring transactions as well as the spin-off of GXO. We review our tax positions quarterly and as new information becomes available. Our effective tax rate in any financial statement period may be materially impacted by changes in the mix and/or level of earnings by taxing jurisdiction.

Deferred income tax assets represent amounts available to reduce income taxes payable 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 losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of deferred tax liabilities, carrybacks available, and historical and projected pre-tax profits generated by our operations. Valuation allowances are established when, in management's judgment, it is more likely than not that our deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax losses and other carryforwards due to changes in ownership, historic information, and projections of future sources of taxable income that include and exclude future reversals of taxable temporary differences.

### ***New Accounting Standards***

Information related to new accounting standards is included in Note 2—Basis of Presentation and Significant Accounting Policies.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our market risk disclosures involve forward-looking statements. Actual results could differ materially from those projected in such forward-looking statements. We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity price risk.

### ***Interest Rate Risk***

We have exposure to changes in interest rates on our debt, as follows:

*Term Loan Facilities.* As of December 31, 2021, we had an aggregate principal amount outstanding of \$2.0 billion on our Term Loan Facilities. The interest rate fluctuates based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin. Assuming an average annual aggregate principal amount outstanding of \$2.0 billion, a hypothetical 1% increase in the interest rate would have increased our annual interest expense by \$20 million. Additionally, we utilize short-term interest rate swaps to mitigate variability in forecasted interest payments on our Term Loan Facilities. The interest rate swaps convert floating-rate interest payments into fixed rate interest payments.



*ABL Facility.* The interest rates on our ABL Facility fluctuate based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin. Assuming our \$1.0 billion ABL Facility was fully drawn throughout 2021, a hypothetical 1% change in the interest rate would have increased our annual interest expense by \$13 million.

*Fixed Rate Debt.* As of December 31, 2021, we had \$1.6 billion of fair value of indebtedness (excluding finance leases) that bears interest at fixed rates. A 1% decrease in market interest rates as of December 31, 2021 would increase the fair value of our fixed-rate indebtedness by approximately 4%. For additional information concerning our debt, see Note 12—Debt to our Consolidated Financial Statements.

We also have exposure to changes in interest rates as a result of our cash balances, which totaled \$260 million as of December 31, 2021 and generally earn interest income that approximates LIBOR. Assuming an annual average cash balance of \$260 million, a hypothetical 1% increase in the interest rate would reduce our net interest expense by \$3 million.

### ***Foreign Currency Exchange Risk***

A proportion of our net assets and income are in non-U.S. dollar (“USD”) currencies, primarily the euro (“EUR”) and British pound sterling (“GBP”). We are exposed to currency risk from potential changes in functional currency values of our foreign currency denominated assets, liabilities and cash flows. Consequently, a depreciation of the EUR or the GBP relative to the USD could have an adverse impact on our financial results.

We periodically use foreign currency option contracts to mitigate the risk of a reduction in the value of earnings from our operations that use the EUR or GBP as their functional currency.

As of December 31, 2021, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of \$32 million. As of December 31, 2021, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of \$24 million. These theoretical calculations assume that an instantaneous, parallel shift in exchange rates occurs, which is not consistent with our actual experience in foreign currency transactions. 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 impact of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

### ***Commodity Price Risk***

We are exposed to price fluctuations for diesel fuel purchased for use in our vehicles. During the year ended December 31, 2021, diesel prices fluctuated by as much as 20% in France, 30% in the United Kingdom, and 41% in the United States. However, we include price adjustment clauses or cost-recovery mechanisms in many of our customer contracts in the event of a change in the cost to purchase fuel. The clauses mean that substantially all fluctuations in the purchase price of diesel, except for short-term economic fluctuations, can be passed on to customers in the sales price. Therefore, a hypothetical 10% change in the price of diesel would not be expected to materially affect our financial performance over the long term.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
XPO Logistics, Inc.:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, 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 Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *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.

#### *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.

#### *Evaluation of the tax-free determination of the spin-off of the Company's Logistics segment*

As discussed in Note 1 to the consolidated financial statements, on August 2, 2021, the Company completed the previously announced spin-off of its Logistics segment into an independent public company. The spin-off was accomplished by the distribution of 100% of the outstanding common stock of GXO Logistics, Inc. to the Company's stockholders and was intended to qualify as tax-free to the Company and its stockholders for U.S. federal income tax purposes.

We identified the evaluation of the spin-off as a tax-free transaction for U.S. federal income tax purposes to be a critical audit matter. The evaluation of the Company's interpretation and application of the Internal Revenue Code (Code) required complex auditor judgment and the need to involve tax professionals with specialized skills and knowledge to evaluate the U.S. federal taxability of the spin-off.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's income tax process, including a control related to Company's evaluation of the spin-off as tax-free for U.S. federal income tax purposes. We involved tax professionals with specialized skills and knowledge, who assisted in:

- inspecting the tax opinions from the Company's external tax advisors that management utilized in forming their conclusions on U.S. federal income taxability of the spin-off, including certain interpretations of the Code
- assessing the key facts, assumptions and representations provided by management and used by the Company's external tax advisors when evaluating the U.S. federal income taxability

#### *Liabilities for self-insured claims*

As discussed in Note 2 to the consolidated financial statements, the Company uses a combination of self-insurance programs and purchased insurance to provide for the costs of liability, vehicular, and workers' compensation claims (self-insured claims). The Company records estimates of the undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. These liabilities are recorded within accrued liabilities and other long-term liabilities as of December 31, 2021.

We identified the assessment of the estimated liabilities for self-insured claims as a critical audit matter. The evaluation of the uncertainty in the amounts that will ultimately be paid to settle these claims required subjective auditor judgment. Assumptions that may affect the estimated liability of claims include the consideration of

historical cost experience, severity factors, and judgments about current and expected levels of cost per claims and retention levels that have uncertainty related to future occurrences or events and conditions. Additionally, the Company's liabilities for self-insured claims included estimates for expenses of claims that have been incurred but have not been reported, and specialized skills were needed to evaluate the actuarial methods and assumptions used to assess these estimates.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's self-insurance process. This included controls over the assumptions used in estimating the liabilities for self-insured claims. In addition, we compared the Company's estimates of liabilities for individual self-insured claims to current available information, which included legal claims, incident and case reports, current and historical cost experience, or other evidence. We involved an actuarial professional with specialized skills and knowledge, who assisted in:

- comparing the Company's actuarial reserving methodologies with accepted actuarial methods and procedures
- evaluating assumptions used in determining the liability, including expected level of cost per claim and retention levels, in relation to recent historical loss payment trends and severity factors
- developing an independent expected range of liabilities, including liabilities for claims that have been incurred but have not been recorded, based on actuarial methodologies
- comparing the Company's recorded liability to the independently developed liability range.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Stamford, Connecticut

February 16, 2022

**XPO Logistics, Inc.**  
**Consolidated Balance Sheets**

<i>(In millions, except per share data)</i>	December 31,	
	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 260	\$ 1,731
Accounts receivable, net of allowances of \$47 and \$46, respectively	2,105	1,680
Other current assets	286	303
Current assets of discontinued operations	26	1,664
<b>Total current assets</b>	<b>2,677</b>	<b>5,378</b>
<b>Long-term assets</b>		
Property and equipment, net of \$1,828 and \$1,646 in accumulated depreciation, respectively	1,808	1,891
Operating lease assets	908	844
Goodwill	2,479	2,536
Identifiable intangible assets, net of \$612 and \$536 in accumulated amortization, respectively	580	675
Other long-term assets	255	187
Long-term assets of discontinued operations	—	4,666
<b>Total long-term assets</b>	<b>6,030</b>	<b>10,799</b>
<b>Total assets</b>	<b>\$ 8,707</b>	<b>\$ 16,177</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,110	\$ 854
Accrued expenses	1,107	1,044
Short-term borrowings and current maturities of long-term debt	58	1,281
Short-term operating lease liabilities	170	152
Other current liabilities	69	102
Current liabilities of discontinued operations	24	1,728
<b>Total current liabilities</b>	<b>2,538</b>	<b>5,161</b>
<b>Long-term liabilities</b>		
Long-term debt	3,514	5,240
Deferred tax liability	316	286
Employee benefit obligations	122	131
Long-term operating lease liabilities	752	696
Other long-term liabilities	327	384
Long-term liabilities of discontinued operations	—	1,430
<b>Total long-term liabilities</b>	<b>5,031</b>	<b>8,167</b>
<b>Stockholders' equity</b>		
Convertible perpetual preferred stock, \$0.001 par value; 10 shares authorized; — and 0.001 of Series A shares issued and outstanding as of December 31, 2021 and 2020, respectively	—	1
Common stock, \$0.001 par value; 300 shares authorized; 115 and 102 shares issued and outstanding as of December 31, 2021 and 2020, respectively	—	—
Additional paid-in capital	1,179	1,998
Retained earnings	43	868
Accumulated other comprehensive loss	(84)	(158)
<b>Total stockholders' equity before noncontrolling interests</b>	<b>1,138</b>	<b>2,709</b>
Noncontrolling interests	—	140
<b>Total equity</b>	<b>1,138</b>	<b>2,849</b>
<b>Total liabilities and equity</b>	<b>\$ 8,707</b>	<b>\$ 16,177</b>

See accompanying notes to consolidated financial statements.

**XPO Logistics, Inc.**

**Consolidated Statements of Income**

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Revenue</b>	\$ 12,806	\$ 10,199	\$ 10,681
Cost of transportation and services (exclusive of depreciation and amortization)	8,945	6,950	7,359
Direct operating expense (exclusive of depreciation and amortization)	1,391	1,235	1,186
Sales, general and administrative expense	1,322	1,210	1,068
Depreciation and amortization expense	476	470	467
Transaction and integration costs	37	75	5
Restructuring costs	19	31	35
<b>Operating income</b>	616	228	561
Other income	(57)	(41)	(23)
Foreign currency (gain) loss	(2)	(3)	10
Debt extinguishment loss	54	—	5
Interest expense	211	307	268
<b>Income (loss) from continuing operations before income tax provision (benefit)</b>	410	(35)	301
Income tax provision (benefit)	87	(22)	60
<b>Income (loss) from continuing operations</b>	323	(13)	241
Income from discontinued operations, net of taxes	18	130	199
<b>Net income</b>	341	117	440
Net loss from continuing operations attributable to noncontrolling interests	—	3	—
Net income from discontinued operations attributable to noncontrolling interests	(5)	(10)	(21)
<b>Net income attributable to XPO</b>	\$ 336	\$ 110	\$ 419
<b>Net income (loss) attributable to common shareholders</b>			
Continuing operations	\$ 323	\$ (41)	\$ 201
Discontinued operations	13	120	178
<b>Net income attributable to common shareholders</b>	\$ 336	\$ 79	\$ 379
<b>Earnings (loss) per share data</b>			
Basic earnings (loss) per share from continuing operations	\$ 2.88	\$ (0.45)	\$ 2.09
Basic earnings per share from discontinued operations	0.11	1.32	1.86
<b>Basic earnings per share attributable to common shareholders</b>	\$ 2.99	\$ 0.87	\$ 3.95
Diluted earnings (loss) per share from continuing operations	\$ 2.82	\$ (0.45)	\$ 1.89
Diluted earnings per share from discontinued operations	0.11	1.32	1.68
<b>Diluted earnings per share attributable to common shareholders</b>	\$ 2.93	\$ 0.87	\$ 3.57
<b>Weighted-average common shares outstanding</b>			
Basic weighted-average common shares outstanding	112	92	96
Diluted weighted-average common shares outstanding	114	92	106

See accompanying notes to consolidated financial statements.

**XPO Logistics, Inc.**

**Consolidated Statements of Comprehensive Income**

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Net income</b>	\$ 341	\$ 117	\$ 440
<b>Other comprehensive income (loss), net of tax</b>			
Foreign currency translation gain (loss), net of tax effect of \$—, \$17 and \$(7)	\$ (85)	\$ 112	\$ 23
Unrealized gain (loss) on financial assets/liabilities designated as hedging instruments, net of tax effect of \$1, \$— and \$(1)	(3)	(2)	4
Defined benefit plans adjustment, net of tax effect of \$(11), \$30 and \$1	34	(117)	(19)
<b>Other comprehensive income (loss)</b>	<b>(54)</b>	<b>(7)</b>	<b>8</b>
<b>Comprehensive income</b>	<b>\$ 287</b>	<b>\$ 110</b>	<b>\$ 448</b>
Less: Comprehensive income attributable to noncontrolling interests	3	13	20
<b>Comprehensive income attributable to XPO</b>	<b>\$ 284</b>	<b>\$ 97</b>	<b>\$ 428</b>

See accompanying notes to consolidated financial statements.



**XPO Logistics, Inc.**

**Consolidated Statements of Cash Flows**

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Cash flows from operating activities of continuing operations</b>			
Net income	\$ 341	\$ 117	\$ 440
Income from discontinued operations, net of taxes	18	130	199
Income (loss) from continuing operations	323	(13)	241
<b>Adjustments to reconcile income (loss) from continuing operations to net cash from operating activities</b>			
Depreciation, amortization and net lease activity	476	470	467
Stock compensation expense	37	41	56
Accretion of debt	18	20	16
Deferred tax expense (benefit)	5	(75)	40
Debt extinguishment loss	54	—	5
Unrealized (gain) loss on foreign currency option and forward contracts	1	(1)	9
Gains on sales of property and equipment	(73)	(91)	(101)
Other	4	49	(8)
<b>Changes in assets and liabilities</b>			
Accounts receivable	(502)	(265)	101
Other assets	(1)	(41)	82
Accounts payable	240	96	(99)
Accrued expenses and other liabilities	74	198	(180)
<b>Net cash provided by operating activities from continuing operations</b>	<b>656</b>	<b>388</b>	<b>629</b>
<b>Cash flows from investing activities of continuing operations</b>			
Payment for purchases of property and equipment	(313)	(303)	(379)
Proceeds from sale of property and equipment	132	183	237
Cash collected on deferred purchase price receivable	—	—	75
Other	(3)	4	—
<b>Net cash used in investing activities from continuing operations</b>	<b>(184)</b>	<b>(116)</b>	<b>(67)</b>
<b>Cash flows from financing activities of continuing operations</b>			
Proceeds from issuance of debt	—	1,155	1,752
Proceeds from (repayment of) borrowings related to securitization program	(24)	23	—
Repurchase of debt	(2,769)	—	—
Proceeds from borrowings on ABL facility	—	1,020	1,935
Repayment of borrowings on ABL facility	(200)	(820)	(1,935)
Repayment of debt and finance leases	(80)	(65)	(569)
Payment of debt issuance costs	(5)	(22)	(28)
Cash paid in connection with preferred stock conversion	—	(22)	—
Issuance (repurchase) of common stock	384	(114)	(1,347)
Change in bank overdrafts	—	21	(3)
Payment for tax withholdings for restricted shares	(28)	(26)	(14)
Distribution from GXO	794	—	—
Other	(4)	4	8
<b>Net cash provided by (used in) financing activities from continuing operations</b>	<b>(1,932)</b>	<b>1,154</b>	<b>(201)</b>

**XPO Logistics, Inc.**

**Consolidated Statements of Cash Flows (continued)**

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Cash flows from discontinued operations</b>			
Operating activities of discontinued operations	\$ 65	\$ 497	\$ 162
Investing activities of discontinued operations	(93)	(241)	(94)
Financing activities of discontinued operations	(302)	(18)	(558)
<b>Net cash provided by (used in) discontinued operations</b>	<b>(330)</b>	<b>238</b>	<b>(490)</b>
Effect of exchange rates on cash, cash equivalents and restricted cash	(2)	14	2
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(1,792)</b>	<b>1,678</b>	<b>(127)</b>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	<b>2,065</b>	<b>387</b>	<b>514</b>
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>273</b>	<b>2,065</b>	<b>387</b>
<b>Less: Cash, cash equivalents and restricted cash of discontinued operations, end of year</b>	<b>3</b>	<b>323</b>	<b>195</b>
<b>Cash, cash equivalents and restricted cash of continuing operations, end of year</b>	<b>\$ 270</b>	<b>\$ 1,742</b>	<b>\$ 192</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest	253	314	281
Cash paid for income taxes	84	40	82

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2021, 2020 and 2019

	Series A Preferred Stock		Common Stock				Retained Earnings	Accumulated Other Comprehensive Loss	Total XPO Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-In Capital						
<i>(Shares in thousands, dollars in millions)</i>											
<b>Balance as of December 31, 2018</b>	72	\$ 41	115,683	\$ —	\$ 3,311	\$ 377	\$ (154)	\$ 3,575	\$ 395	\$ 3,970	
Net income	—	—	—	—	—	419	—	419	21	440	
Other comprehensive income (loss)	—	—	—	—	—	—	9	9	(1)	8	
Exercise and vesting of stock compensation awards	—	—	489	—	1	—	—	1	—	1	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(14)	—	—	(14)	—	(14)	
Purchase of noncontrolling interest	—	—	—	—	(3)	—	—	(3)	(255)	(258)	
Retirement of common stock	—	—	(23,932)	—	(1,275)	—	—	(1,275)	—	(1,275)	
Dividend declared	—	—	—	—	—	(3)	—	(3)	(5)	(8)	
Stock compensation expense	—	—	—	—	36	—	—	36	—	36	
Adoption of new accounting standard and other	—	—	102	—	5	(7)	—	(2)	(2)	(4)	
<b>Balance as of December 31, 2019</b>	72	\$ 41	92,342	\$ —	\$ 2,061	\$ 786	\$ (145)	\$ 2,743	\$ 153	\$ 2,896	
Net income	—	—	—	—	—	110	—	110	7	117	
Other comprehensive income (loss)	—	—	—	—	—	—	(13)	(13)	6	(7)	
Exercise and vesting of stock compensation awards	—	—	1,411	—	—	—	—	—	—	—	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(47)	—	—	(47)	—	(47)	
Purchase of noncontrolling interests	—	—	—	—	(1)	—	—	(1)	(20)	(21)	
Conversion of preferred stock to common stock	(71)	(40)	10,014	—	40	—	—	—	—	—	
Preferred stock conversion	—	—	—	—	—	(22)	—	(22)	—	(22)	
Retirement of common stock	—	—	(1,715)	—	(114)	—	—	(114)	—	(114)	
Dividend declared	—	—	—	—	—	(2)	—	(2)	(6)	(8)	
Stock compensation expense	—	—	—	—	52	—	—	52	—	52	
Adoption of new accounting standard and other	—	—	—	—	7	(4)	—	3	—	3	
<b>Balance as of December 31, 2020</b>	1	\$ 1	102,052	\$ —	\$ 1,998	\$ 868	\$ (158)	\$ 2,709	\$ 140	\$ 2,849	

XPO Logistics, Inc.

Consolidated Statements of Changes in Equity (continued)  
For the Years Ended December 31, 2021, 2020 and 2019

	Series A Preferred Stock		Common Stock				Retained Earnings	Accumulated Other Comprehensive Loss	Total XPO Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-In Capital						
<i>(Shares in thousands, dollars in millions)</i>											
<b>Balance as of December 31, 2020</b>	<b>1</b>	<b>\$ 1</b>	<b>102,052</b>	<b>\$ —</b>	<b>\$ 1,998</b>	<b>\$ 868</b>	<b>\$ (158)</b>	<b>\$ 2,709</b>	<b>\$ 140</b>	<b>\$ 2,849</b>	
Net income	—	—	—	—	—	336	—	336	5	341	
Other comprehensive loss	—	—	—	—	—	—	(52)	(52)	(2)	(54)	
Spin-off of GXO	—	—	—	—	(1,199)	(1,161)	126	(2,234)	(40)	(2,274)	
Exercise and vesting of stock compensation awards	—	—	392	—	2	—	—	2	—	2	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(28)	—	—	(28)	—	(28)	
Issuance of common stock	—	—	2,875	—	384	—	—	384	—	384	
Conversion of preferred stock to common stock	(1)	(1)	145	—	1	—	—	—	—	—	
Purchase of noncontrolling interests	—	—	—	—	(34)	—	—	(34)	(100)	(134)	
Dividend declared	—	—	—	—	—	—	—	—	(3)	(3)	
Exercise of warrants	—	—	9,215	—	—	—	—	—	—	—	
Stock compensation expense	—	—	—	—	52	—	—	52	—	52	
Other	—	—	58	—	3	—	—	3	—	3	
<b>Balance as of December 31, 2021</b>	<b>—</b>	<b>\$ —</b>	<b>114,737</b>	<b>\$ —</b>	<b>\$ 1,179</b>	<b>\$ 43</b>	<b>\$ (84)</b>	<b>\$ 1,138</b>	<b>\$ —</b>	<b>\$ 1,138</b>	

See accompanying notes to consolidated financial statements.

**XPO Logistics, Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2021, 2020 and 2019**

**1. Organization**

*Nature of Operations*

XPO Logistics, Inc., together with its subsidiaries (“XPO” or “we”), is a leading provider of freight transportation services. We use our proprietary technology to move goods efficiently through our customers’ supply chains, primarily by providing less-than-truckload (“LTL”) and truck brokerage services. See Note 4—Segment Reporting and Geographic Information for additional information on our operations.

On August 2, 2021, we completed the previously announced spin-off of our Logistics segment in a transaction intended to qualify as tax-free to XPO and our stockholders for U.S. federal income tax purposes, which was accomplished by the distribution of 100% of the outstanding common stock of GXO Logistics, Inc. (“GXO”) to XPO stockholders. XPO stockholders received one share of GXO common stock for every share of XPO common stock held at the close of business on July 23, 2021, the record date for the distribution. XPO does not beneficially own any shares of GXO’s common stock following the spin-off. GXO is an independent public company trading under the symbol “GXO” on the New York Stock Exchange.

The historical results of operations and the financial position of our Logistics segment for periods prior to the spin-off are presented as discontinued operations in these consolidated financial statements. For information on our discontinued operations, see Note 3—Discontinued Operations.

**2. Basis of Presentation and Significant Accounting Policies**

*Basis of Presentation*

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”), which requires us to make estimates and assumptions that impact the amounts reported and disclosed in our consolidated financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions.

Following the spin-off, we adopted a new format for our Consolidated Statements of Income to separately present depreciation and amortization expense, transaction and integration costs and restructuring costs from other operating expenses. We have recast prior year amounts to conform to the current year’s presentation.

*Consolidation*

Our consolidated financial statements include the accounts of XPO, our wholly-owned subsidiaries, and our majority-owned subsidiaries and variable interest entity (“VIE”) where we are the primary beneficiary. We have eliminated intercompany accounts and transactions.

To determine if we are a primary beneficiary of a VIE, we evaluate whether we are able to direct the activities that significantly impact the VIE’s economic performance, including whether we control the operations of each VIE and whether we can operate the VIE under our brand or policies. Investors in the VIE only have recourse to the assets owned by the VIE and not to our general credit. We do not have implicit support arrangements with the VIE. We consolidate the VIE, which is comprised of the special purpose entity related to the European Trade Securitization Program discussed below in this Note and in Note 12—Debt.

We have a controlling financial interest in entities generally when we own a majority of the voting interest. The noncontrolling interests reflected in our consolidated financial statements primarily related to a minority interest in XPO Logistics Europe SA (“XPO Logistics Europe”), a business we acquired majority ownership of in 2015. In

2021, we completed a buy-out offer and squeeze-out for the remaining 3% of XPO Logistics Europe that we did not already own at a cost of \$128 million plus expenses. Previously, in 2020 and 2019, we purchased shareholders' noncontrolling interests in XPO Logistics Europe for €17 million (approximately \$21 million) and €234 million (approximately \$258 million), respectively.

## **Significant Accounting Policies**

### ***Revenue Recognition***

We recognize revenue when we transfer control of promised products or services to customers in an amount equal to the consideration we expect to receive for those products or services.

### ***Performance Obligations***

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied.

We generate revenue by providing less-than-truckload, truck brokerage and other transportation services for our customers. Additional services may be provided to our customers under their transportation contracts, including unloading and other incidental services. The transaction price is based on the consideration specified in the customer's contract.

A performance obligation is created when a customer under a transportation contract submits a bill of lading for the transport of goods from origin to destination. These performance obligations are satisfied as the shipments move from origin to destination. We recognize transportation revenue proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Some of our customer contracts contain our promise to stand ready to provide transportation services. For these contracts, we recognize revenue on a straight-line basis over the term of the contract because the pattern of benefit to the customer, and our efforts to fulfill the contract, are generally distributed evenly throughout the period. Performance obligations are generally short-term, with transit times usually less than one week. Generally, customers are billed on shipment of the freight or on a monthly basis and make payment according to approved payment terms. When we do not control the specific services, we recognize revenue as the difference between the amount the customer pays us for the service less the amount we are charged by third parties who provide the service.

Generally, we can adjust our pricing based on contractual provisions related to achieving agreed-upon performance metrics, changes in volumes, services and market conditions. Revenue relating to these pricing adjustments is estimated and included in the consideration if it is probable that a significant revenue reversal will not occur in the future. The estimate of variable consideration is determined by the expected value or most likely amount method and factors in current, past and forecasted experience with the customer. Customers are billed based on terms specified in the revenue contract and they pay us according to approved payment terms.

### ***Contract Costs***

We expense the incremental costs of obtaining contracts when incurred if the amortization period of the assets is one year or less. These costs are included in Direct operating expense (exclusive of depreciation and amortization).

### ***Cash, Cash Equivalents and Restricted Cash***

We consider all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents. As of December 31, 2021, 2020 and 2019, our restricted cash included in Other long-term assets on our Consolidated Balance Sheets was \$10 million, \$11 million and \$10 million, respectively.

### ***Accounts Receivable and Allowance for Credit Losses***

We record accounts receivable at the contractual amount and we record an allowance for credit losses for the amount we estimate we may not collect. In determining the allowance for credit losses, we consider historical collection experience, the age of the accounts receivable balances, the credit quality and risk of our customers, any specific customer collection issues, current economic conditions, and other factors that may impact our customers' ability to pay. Commencing in 2020 and in accordance with Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", we also consider reasonable and supportable forecasts of future economic conditions and their expected impact on customer collections in determining our allowance for credit losses. We write off accounts receivable balances once the receivables are no longer deemed collectible.

The roll-forward of the allowance for credit losses was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
Beginning balance	\$ 46	\$ 38	\$ 41
Provision charged to expense	28	45	20
Write-offs, less recoveries, and other adjustments	(27)	(41)	(23)
Cumulative effect adjustment for adoption of ASU 2016-13	—	4	—
Ending balance	<u>\$ 47</u>	<u>\$ 46</u>	<u>\$ 38</u>

### ***Trade Receivables Securitization and Factoring Programs***

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Consolidated Statements of Cash Flows. We also sell trade accounts receivable under a securitization program described below. We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

Our European business participates in a trade receivables securitization program co-arranged by two European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of XPO sells trade receivables that originate with wholly-owned subsidiaries in the United Kingdom and France to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and is consolidated by XPO based on our control of the entity's activities. The program expires in July 2024.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Consolidated Balance Sheets at the date of transfer. The fair value of any servicing assets and liabilities is immaterial. Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables, which we report within short-term debt on our Consolidated Balance Sheets. See Note 12—Debt for additional information on these borrowings.

The maximum amount of net cash proceeds available at any one time under the securitization program, inclusive of any unsecured borrowings, is €200 million (approximately \$227 million as of December 31, 2021). Prior to July 2021, when the securitization program was amended in connection with the spin-off, the maximum amount available was €400 million. As of December 31, 2021, the maximum amount available under the program was utilized. The weighted average interest rate was 0.50% as of December 31, 2021. Charges for commitment fees, which are based on a percentage of available amounts, and charges for administrative fees were not material to our results of operations for the years ended December 31, 2021, 2020 and 2019.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>	2019 <sup>(1)</sup>
<b>Securitization programs</b>			
Receivables sold in period	\$ 1,726	\$ 1,377	\$ 1,217
Cash consideration	1,726	1,377	1,161
Deferred purchase price	—	—	57
<b>Factoring programs</b>			
Receivables sold in period	72	76	64
Cash consideration	72	75	65

(1) Information for the years ended December 31, 2021, 2020 and 2019 exclude the impact of the Logistics segment.

In addition to the cash considerations referenced above, we received \$75 million in the year ended December 31, 2019, for the realization of cash on the deferred purchase price receivable for our prior securitization program.

### ***Property and Equipment***

We generally record property and equipment at cost, or in the case of acquired property and equipment, at fair value at the date of acquisition. Maintenance and repair expenditures are charged to expense as incurred. For internally-developed computer software, all costs incurred during planning and evaluation are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized software also includes the fair value of acquired internally-developed technology.

We compute depreciation expense on a straight-line basis over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Buildings and leasehold improvements	Term of lease to 40 years
Vehicles, containers, tractors, trailers and tankers	3 to 15 years
Rail cars and chassis	15 to 30 years
Machinery and equipment	3 to 10 years
Computer software and equipment	1 to 6 years

### ***Leases***

We determine if an arrangement is a lease at inception. We recognize operating lease right-of-use assets and liabilities at the lease commencement date based on the estimated present value of the lease payments over the lease term. As most of our leases do not provide an implicit rate, we use incremental borrowing rates based on the information available at commencement date to determine the present value of future lease payments. This rate is determined from a hypothetical yield curve that takes into consideration market yield levels of our relevant debt outstanding as well as the index that matches our credit rating, and then adjusts as if the borrowings were collateralized.

We include options to extend or terminate a lease in the lease term when we are reasonably certain to exercise such options. We exclude variable lease payments (such as payments based on an index or reimbursements of lessor costs) from our initial measurement of the lease liability. We recognize leases with an initial term of 12 months or less as lease expense over the lease term and those leases are not recorded on our Consolidated Balance Sheets. We account for lease and non-lease components within a contract as a single lease component for our real estate leases. For additional information on our leases, see Note 8—Leases.



### ***Asset Retirement Obligations***

A liability for an asset retirement obligation is recorded in the period in which it is incurred. When an asset retirement obligation liability is initially recorded, we capitalize the cost by increasing the carrying amount of the related long-lived asset. For each subsequent period, the liability is increased for accretion expense and the capitalized cost is depreciated over the useful life of the related asset.

### ***Goodwill***

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, at the amount a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Our reporting units are our operating segments or one level below our operating segments for which discrete financial information is prepared and regularly reviewed by segment management.

Accounting guidance allows entities to perform a qualitative assessment (a "step-zero" test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the entity does not need to perform a quantitative analysis for that reporting unit. The qualitative assessment includes a review of macroeconomic conditions, industry and market considerations, internal cost factors, and overall financial performance, among other factors.

For our 2021 goodwill assessment, we performed a step-zero qualitative analysis for our three reporting units. Based on the qualitative assessments performed, we concluded that it was not more-likely-than-not that the fair value of each of our reporting units was less than their carrying amounts and, therefore, further quantitative analysis was not performed, and we did not recognize any goodwill impairment.

For our 2020 goodwill assessment, we performed a quantitative analysis for the five reporting units that existed at the time of the assessment using a combination of income and market approaches with the assistance of a third-party valuation appraiser. As of August 31, 2020, we completed our annual impairment test for goodwill with all of our reporting units having fair values in excess of their carrying values, resulting in no impairment of goodwill. Our number of reporting units decreased from five in 2020 to three in 2021 as a result of the spin-off and other organizational changes.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry.

### ***Intangible Assets***

Our intangible assets subject to amortization consist primarily of customer relationships. We review long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired if the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. We estimate fair value using the expected future cash flows discounted at a rate comparable with the risks associated with the recovery of the asset. We amortize intangible assets on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized. The estimated useful life for customer relationships is 5 to 16 years.

### ***Accrued Expenses***

The components of accrued expenses as of December 31, 2021 and 2020 are as follows:

<i>(In millions)</i>	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accrued salaries and wages	\$ 375	\$ 392
Accrued transportation and facility charges	390	303
Other accrued expenses	342	349
Total accrued expenses	<u>\$ 1,107</u>	<u>\$ 1,044</u>

### ***Self-Insurance***

We use a combination of self-insurance programs and purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo, workers' compensation, cyber risk and property claims. We periodically evaluate our level of insurance coverage and adjust our insurance levels based on risk tolerance and premium expense.

Liabilities for the risks we retain, including estimates of claims incurred but not reported, are not discounted and are estimated, in part, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. Changes in these assumptions and factors can impact actual costs paid to settle the claims and those amounts may be different than estimates.

### ***Advertising Costs***

Advertising costs are expensed as incurred.

### ***Stockholders' Equity***

We retire shares purchased under our share repurchase program and return them to authorized and unissued status. We charge any excess of cost over par value to Additional paid-in capital if a balance is present. If Additional paid-in capital is fully depleted, any remaining excess of cost over par value will be charged to Retained earnings.

### ***Accumulated Other Comprehensive Income (Loss)***

The components of and changes in accumulated other comprehensive income (loss) (“AOCI”), net of tax, for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions)</i>	<b>Foreign Currency Translation Adjustments</b>	<b>Derivative Hedges</b>	<b>Defined Benefit Plans Liability</b>	<b>Less: AOCI Attributable to Noncontrolling Interests</b>	<b>AOCI Attributable to XPO</b>
As of December 31, 2019	\$ (120)	\$ 5	\$ (31)	\$ 1	\$ (145)
Other comprehensive income (loss)	121	(17)	(116)	(6)	(18)
Amounts reclassified from AOCI	(9)	15	(1)	—	5
Net current period other comprehensive income (loss)	112	(2)	(117)	(6)	(13)
As of December 31, 2020	(8)	3	(148)	(5)	(158)
Other comprehensive income (loss)	(79)	4	34	2	(39)
Amounts reclassified from AOCI	(6)	(7)	—	—	(13)
Net current period other comprehensive income (loss)	(85)	(3)	34	2	(52)
Spin-off of GXO	41	—	82	3	126
As of December 31, 2021	<u>\$ (52)</u>	<u>\$ —</u>	<u>\$ (32)</u>	<u>\$ —</u>	<u>\$ (84)</u>

### ***Income Taxes***

We account for income taxes using the asset and liability method on a legal entity and jurisdictional basis, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. Our calculation relies on several factors, including pre-tax earnings, differences between tax laws and accounting rules, statutory tax rates, tax credits, uncertain tax positions, and valuation allowances. We use judgment and estimates in evaluating our tax positions. Evaluating our tax positions would include but not be limited to our tax positions on internal restructuring transactions as well as the spin-off of GXO. Valuation allowances are established when, in our judgment, it is more likely than not that our deferred tax assets will not be realized based on all available evidence. We record Global Intangible Low-Taxed Income (“GILTI”) tax as a period cost.

Our tax returns are subject to examination by U.S. Federal, state and foreign taxing jurisdictions. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years. We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. We adjust these tax liabilities, including related interest and penalties, based on the current facts and circumstances. We report tax-related interest and penalties as a component of income tax expense.

### ***Foreign Currency Translation and Transactions***

The assets and liabilities of our foreign subsidiaries that use their local currency as their functional currency are translated to U.S. dollars (“USD”) using the exchange rate prevailing at each balance sheet date, with balance sheet currency translation adjustments recorded in AOCI on our Consolidated Balance Sheets. The assets and liabilities of our foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to USD. The results of operations of our foreign subsidiaries are translated to USD using average exchange rates prevailing for each period presented.

We convert foreign currency transactions recognized on our Consolidated Statements of Income to USD by applying the exchange rate prevailing on the date of the transaction. Gains and losses arising from foreign currency transactions and the effects of remeasuring monetary assets and liabilities are recorded in Foreign currency (gain) loss on our Consolidated Statements of Income.

### ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The levels of inputs used to measure fair value are:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques that reflect management’s judgment and estimates.

We base our fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current maturities of long-term debt approximated their fair values as of December 31, 2021 and 2020 due to their short-term nature and/or being receivable or payable on demand. The Level 1 cash equivalents include money market funds valued using quoted prices in active markets and a cash deposit for the securitization program. For information on the fair value hierarchy of our derivative instruments, see Note 11—Derivative Instruments and for information on financial liabilities, see Note 12—Debt.

The fair value hierarchy of cash equivalents was as follows:

<i>(In millions)</i>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Level 1</b>
December 31, 2021	\$ 181	\$ 181	\$ 181
December 31, 2020	1,685	1,685	1,685

The decrease in cash equivalents from December 31, 2020 to December 31, 2021 was primarily due to the redemption of our senior notes due 2022, 2023 and 2024 and the repayment of borrowings under our revolving loan credit agreement (the “ABL Facility”) in 2021. For further information, see Note 12—Debt.

### ***Derivative Instruments***

We record all derivative instruments on our Consolidated Balance Sheets as assets or liabilities at fair value. Our accounting treatment for changes in the fair value of derivative instruments depends on whether the instruments have been designated and qualify as part of a hedging relationship and on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must designate the derivative based on the exposure being hedged and assess, both at the hedge’s inception and on an ongoing basis, whether the designated derivative instruments are highly effective in offsetting changes in earnings and cash flows of the hedged items. When a derivative instrument is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, hedge accounting is discontinued prospectively. We link cash flow hedges to specific forecasted transactions or variability of cash flow to be paid.

The gain or loss resulting from fair value adjustments on cash flow hedges are recorded in AOCI on our Consolidated Balance Sheets until the hedged item is recognized in earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The gains and losses on the net investment hedges are recorded as cumulative translation adjustments in AOCI to the extent that the instruments are effective in hedging the designated risk. Gains and losses on cash flow hedges and net investment hedges representing hedge components excluded from the assessment of effectiveness will be amortized into Interest expense on our Consolidated Statements of Income in a systematic manner. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings and are recorded in Foreign currency (gain) loss on our Consolidated Statements of Income.

### ***Defined Benefit Pension Plans***

We calculate defined benefit pension plan obligations using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets represent our best estimates based on available information regarding historical experience and factors that may cause future expectations to differ. Our obligation and future expense amounts could be materially impacted by differences in actual experience or changes in assumptions.

The impact of plan amendments, actuarial gains and losses and prior-service costs are recorded in AOCI and are generally amortized as a component of net periodic benefit cost over the remaining service period of the active employees covered by the defined benefit pension plans. Unamortized gains and losses are amortized only to the extent they exceed 10% of the higher of the fair value of plan assets or the projected benefit obligation of the respective plan.

### ***Stock-Based Compensation***

We account for stock-based compensation based on the equity instrument's grant date fair value. For grants of restricted stock units ("RSUs") subject to service-based or performance-based vesting conditions only, we establish the fair value based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, we establish the fair value using the Monte Carlo simulation lattice model. We determined the fair value of our stock-based awards based on our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We account for forfeitures as they occur.

We recognize the grant date fair value of equity awards as compensation cost over the requisite service period. We recognize expense for our performance-based restricted stock units ("PRsUs") over the awards' requisite service period based on the number of awards expected to vest with consideration to the actual and expected financial results. We do not recognize expense until achievement of the performance targets for a PRsU award is considered probable.

### ***Adoption of New Accounting Standard***

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to enhance consistency and comparability among reporting entities. We adopted this standard on January 1, 2021 on a prospective basis. The adoption did not have a material effect on our consolidated financial statements.

### ***Accounting Pronouncements Issued but Not Yet Effective***

In November 2021, the FASB issued ASU 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance." The ASU increases the transparency surrounding government assistance by requiring disclosure of (i) the types of assistance received, (ii) an entity's accounting for the assistance and (iii) the effect of the assistance on the entity's financial statements. This ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. We are currently evaluating the impact of the new guidance, which is limited to financial statement disclosures.

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting." The ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The amendments are elective and are effective upon issuance through December 31, 2022. We are currently evaluating the impact of the new guidance.

### 3. Discontinued Operations

As discussed above, on August 2, 2021, we completed the spin-off of our Logistics segment. In July 2021, GXO completed a debt offering and used the net proceeds to fund a cash payment from GXO to XPO of \$794 million, which we used to repay a portion of our outstanding borrowings. For further information, see Note 12—Debt. During the year ended December 31, 2021, we incurred approximately \$125 million of costs related to the spin-off, of which \$101 million are reflected within income from discontinued operations in our Consolidated Statements of Income.

The following table summarizes the financial results from discontinued operations of GXO:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Revenue</b>	\$ 4,350	\$ 6,182	\$ 6,087
Direct operating expense (exclusive of depreciation and amortization)	3,614	5,156	5,120
Sales, general and administrative expense	364	517	421
Depreciation and amortization expense	185	296	272
Transaction and other operating costs	105	50	14
<b>Operating income</b>	82	163	260
Other income	(27)	(38)	(31)
Interest expense	12	18	23
<b>Income from discontinued operations before income tax provision</b>	97	183	268
Income tax provision	79	53	69
<b>Net income from discontinued operations, net of taxes</b>	18	130	199
Net income from discontinued operations attributable to noncontrolling interests	(5)	(10)	(21)
<b>Net income from discontinued operations attributable to GXO</b>	<u>\$ 13</u>	<u>\$ 120</u>	<u>\$ 178</u>

The following table summarizes the assets and liabilities from discontinued operations of GXO:

<i>(In millions)</i>	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 323
Accounts receivable, net	1,212
Other current assets	129
<b>Total current assets of discontinued operations</b>	<b>1,664</b>
Property and equipment, net	770
Operating lease assets	1,434
Goodwill	2,063
Identifiable intangible assets, net	299
Other long-term assets	100
<b>Total long-term assets of discontinued operations</b>	<b>4,666</b>
Accounts payable	408
Accrued expenses	770
Short-term borrowings and current finance lease liabilities	57
Short-term operating lease liabilities	332
Other current liabilities	161
<b>Total current liabilities of discontinued operations</b>	<b>1,728</b>
Long-term debt and finance lease liabilities	129
Deferred tax liability	85
Long-term operating lease liabilities	1,099
Other long-term liabilities	117
<b>Total long-term liabilities of discontinued operations</b>	<b>\$ 1,430</b>

Prior to the spin-off of GXO, the U.K. pension plan was sold to a GXO entity. For further information, see Note 13—Employee Benefit Plans.

In connection with the spin-off, we entered into a separation and distribution agreement as well as various other agreements with GXO that provide a framework for the relationships between the parties going forward, including, among others, an employee matters agreement (“EMA”), a tax matters agreement, an intellectual property license agreement and a transition services agreement, through which XPO will continue to provide certain services for a period of time specified in the applicable agreement to GXO following the spin-off. The impact of these services on the consolidated financial statements was immaterial. Additionally, in accordance with these agreements, GXO has agreed to indemnify XPO for certain payments XPO makes with respect to certain self-insurance matters that were incurred by GXO prior to the spin-off and remain obligations of XPO. The receivable and reserve for these matters was approximately \$23 million and \$21 million, respectively, as of December 31, 2021.

#### 4. Segment Reporting and Geographic Information

In connection with the spin-off, we revised our reportable segments to reflect how our chief operating decision maker (“CODM”) makes decisions related to resource allocation and segment performance. Prior to the spin-off, we had two reportable segments: Transportation and Logistics. Following the spin-off, we have two reportable segments: (i) North American LTL and (ii) Brokerage and Other Services.

In our North American LTL segment, we provide our customers with geographic density and day-definite regional, inter-regional and transcontinental LTL freight services. Our services include cross-border U.S. service to and from Mexico and Canada, as well as intra-Canada service.

In our Brokerage and Other Services segment, shippers create the truckload demand and we place their freight with qualified carriers, pricing our service on either a spot or contract basis. Our Brokerage and Other Services segment also includes last mile logistics for heavy goods sold through e-commerce, omnichannel retail and direct-to-consumer channels. Several other non-core brokered freight transportation modes are included in our Brokerage and Other Services segment, as well as our European transportation offerings.

Some of our operating units provide services to our other operating units outside of their reportable segment. Billings for such services are based on negotiated rates and are reflected as revenues of the billing segment. We adjust these rates from time to time based on market conditions. We eliminate intersegment revenues and expenses in our consolidated results.

Corporate includes corporate headquarters costs for executive officers and certain legal and financial functions, and other costs and credits not attributed to our reporting segments.

Our CODM regularly reviews financial information at the operating segment level to allocate resources to the segments and to assess their performance. We include items directly attributable to a segment, and those that can be allocated on a reasonable basis, in segment results reported to the CODM. We do not provide asset information by segment to the CODM. During the third quarter of 2021, our CODM began evaluating segment profit (loss) based on adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”), which we define as income (loss) from continuing operations before debt extinguishment loss, interest expense, income tax, depreciation and amortization expense, litigation settlements for significant matters, transaction and integration costs, restructuring costs and other adjustments. Prior to the change in our reporting segments in the third quarter of 2021, our CODM used operating income as the measure of segment profit (loss). Prior period segment disclosures have been recast to conform to the current period presentation.



Selected financial data for our segments is as follows:

<i>(in millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Revenue</b>			
North American LTL	\$ 4,118	\$ 3,539	\$ 3,791
Brokerage and Other Services	8,907	6,800	7,041
Eliminations	(219)	(140)	(151)
<b>Total</b>	<b>\$ 12,806</b>	<b>\$ 10,199</b>	<b>\$ 10,681</b>
<b>Adjusted EBITDA</b>			
North American LTL	\$ 904	\$ 764	\$ 851
Brokerage and Other Services	547	284	406
Corporate	(212)	(201)	(167)
<b>Total adjusted EBITDA</b>	<b>1,239</b>	<b>847</b>	<b>1,090</b>
Less:			
Debt extinguishment loss	54	—	5
Interest expense	211	307	268
Income tax provision (benefit)	87	(22)	60
Depreciation and amortization expense	476	470	467
Unrealized (gain) loss on foreign currency option and forward contracts	1	(1)	9
Litigation settlements	31	—	—
Transaction and integration costs <sup>(1)</sup>	37	75	5
Restructuring costs <sup>(2)</sup>	19	31	35
<b>Income (loss) from continuing operations</b>	<b>\$ 323</b>	<b>\$ (13)</b>	<b>\$ 241</b>
<b>Depreciation and amortization expense</b>			
North American LTL	\$ 226	\$ 224	\$ 227
Brokerage and Other Services	240	229	220
Corporate	10	17	20
<b>Total</b>	<b>\$ 476</b>	<b>\$ 470</b>	<b>\$ 467</b>

(1) Transaction and integration costs for 2021 and 2020 are primarily comprised of third-party professional fees related to strategic initiatives, including the spin-off of the Logistics segment, as well as retention awards paid to certain employees. Additionally, transaction and integration costs for 2020 included professional fees related to our previously announced exploration of strategic alternatives that was terminated in March 2020. Transaction and integration costs for 2021 and 2020 include \$1 million and \$5 million, respectively, related to our North American LTL segment; \$16 million and \$16 million, respectively, related to our Brokerage and Other Services segment and \$20 million and \$54 million, respectively, related to Corporate.

(2) See Note 6—Restructuring Charges for further information on our restructuring actions.

As of December 31, 2021 and 2020, we held long-lived tangible assets outside of the U.S. of \$422 million and \$465 million, respectively.

## 5. Revenue Recognition

### Disaggregation of Revenues

We disaggregate our revenue by geographic area and service offering. Our revenue disaggregated by geographical area, based on sales office location, was as follows:

	Year Ended December 31, 2021			
<i>(In millions)</i>	North American LTL	Brokerage and Other Services	Eliminations	Total
Revenue				
United States	\$ 4,029	\$ 5,387	\$ (219)	\$ 9,197
North America (excluding United States)	89	311	—	400
France	—	1,354	—	1,354
United Kingdom	—	879	—	879
Europe (excluding France and United Kingdom)	—	843	—	843
Other	—	133	—	133
Total	<u>\$ 4,118</u>	<u>\$ 8,907</u>	<u>\$ (219)</u>	<u>\$ 12,806</u>
	Year Ended December 31, 2020			
<i>(In millions)</i>	North American LTL	Brokerage and Other Services	Eliminations	Total
Revenue				
United States	\$ 3,461	\$ 3,899	\$ (140)	\$ 7,220
North America (excluding United States)	78	233	—	311
France	—	1,205	—	1,205
United Kingdom	—	677	—	677
Europe (excluding France and United Kingdom)	—	739	—	739
Other	—	47	—	47
Total	<u>\$ 3,539</u>	<u>\$ 6,800</u>	<u>\$ (140)</u>	<u>\$ 10,199</u>
	Year Ended December 31, 2019			
<i>(In millions)</i>	North American LTL	Brokerage and Other Services	Eliminations	Total
Revenue				
United States	\$ 3,702	\$ 3,902	\$ (151)	\$ 7,453
North America (excluding United States)	89	196	—	285
France	—	1,358	—	1,358
United Kingdom	—	760	—	760
Europe (excluding France and United Kingdom)	—	805	—	805
Other	—	20	—	20
Total	<u>\$ 3,791</u>	<u>\$ 7,041</u>	<u>\$ (151)</u>	<u>\$ 10,681</u>

Our revenue disaggregated by service offering was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
North America:			
LTL <sup>(1)</sup>	\$ 4,192	\$ 3,575	\$ 3,841
Truck brokerage	2,749	1,684	1,372
Last mile	1,016	908	873
Other brokerage <sup>(2)</sup>	2,025	1,564	1,853
Total North America	9,982	7,731	7,939
Europe	3,077	2,622	2,923
Eliminations	(253)	(154)	(181)
Total	\$ 12,806	\$ 10,199	\$ 10,681

(1) Less-Than-Truckload revenue is before intercompany eliminations and includes revenue from the Company's trailer manufacturing business.

(2) Other brokerage includes intermodal and drayage, expedite, freight forwarding and managed transportation services. Freight forwarding includes operations conducted outside of North America but managed by our North American entities.

### **Performance Obligations**

Remaining performance obligations represent firm contracts for which services have not been performed and future revenue recognition is expected. As permitted in determining the remaining performance obligation, we omit obligations that: (i) have original expected durations of one year or less or (ii) contain variable consideration. On December 31, 2021, the fixed consideration component of our remaining performance obligation was approximately \$124 million, and we expect approximately 86% of that amount to be recognized over the next three years and the remainder thereafter. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions or terminations.

### **6. Restructuring Charges**

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure, including actions in connection with the spin-off and in response to COVID-19. These actions generally include severance and facility-related costs, including impairment of right-of-use assets, and are intended to improve our efficiency and profitability.

Our restructuring-related activity was as follows:

<i>(In millions)</i>	Reserve Balance as of December 31, 2020	Year Ended December 31, 2021			Reserve Balance as of December 31, 2021
		Charges Incurred	Payments	Foreign Exchange and Other	
<b>Severance</b>					
Brokerage and Other Services	\$ 7	\$ 10	\$ (12)	\$ 1	\$ 6
Corporate	1	9	(2)	(1)	7
<b>Total severance</b>	8	19	(14)	—	13
<b>Facilities</b>					
Brokerage and Other Services	5	—	(3)	—	2
<b>Total facilities</b>	5	—	(3)	—	2
<b>Total</b>	\$ 13	\$ 19	\$ (17)	\$ —	\$ 15

We expect the majority of the cash outlays related to the charges incurred in 2021 will be complete within twelve months.

<i>(In millions)</i>	Reserve Balance as of December 31, 2019	Year Ended December 31, 2020			Reserve Balance as of December 31, 2020
		Charges Incurred	Payments	Foreign Exchange and Other	
<b>Severance</b>					
North American LTL	\$ 1	\$ 4	\$ (5)	\$ —	\$ —
Brokerage and Other Services	11	13	(17)	—	7
Corporate	3	8	(9)	(1)	1
<b>Total severance</b>	<b>15</b>	<b>25</b>	<b>(31)</b>	<b>(1)</b>	<b>8</b>
<b>Facilities</b>					
Brokerage and Other Services	—	6	—	(1)	5
<b>Total facilities</b>	<b>—</b>	<b>6</b>	<b>—</b>	<b>(1)</b>	<b>5</b>
<b>Total</b>	<b>\$ 15</b>	<b>\$ 31</b>	<b>\$ (31)</b>	<b>\$ (2)</b>	<b>\$ 13</b>

## 7. Property and Equipment

<i>(In millions)</i>	December 31,	
	2021	2020
Property and equipment		
Land	\$ 276	\$ 297
Buildings and leasehold improvements	380	375
Vehicles, tractors, trailers and tankers	1,825	1,791
Machinery and equipment	270	264
Computer software and equipment	885	810
	3,636	3,537
Less: accumulated depreciation and amortization	(1,828)	(1,646)
Total property and equipment, net	\$ 1,808	\$ 1,891
Net book value of capitalized internally-developed software included in property and equipment, net	\$ 230	\$ 248

Depreciation of property and equipment and amortization of computer software was \$388 million, \$382 million and \$370 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 8. Leases

Most of our leases are real estate leases. In addition, we lease trucks, trailers, containers and material handling equipment.

The components of our lease expense and gain realized on sale-leaseback transactions were as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
Operating lease cost	\$ 235	\$ 221	\$ 197
Short-term lease cost	150	86	88
Variable lease cost	32	29	25
Total operating lease cost	\$ 417	\$ 336	\$ 310
Finance lease cost:			
Amortization of leased assets	\$ 53	\$ 43	\$ 43
Interest on lease liabilities	5	5	5
Total finance lease cost	\$ 58	\$ 48	\$ 48
Total lease cost	\$ 475	\$ 384	\$ 358
Gain recognized on sale-leaseback transactions <sup>(1)</sup>	\$ 69	\$ 84	\$ 93

- (1) For the years ended December 31, 2021, 2020 and 2019, we completed multiple sale-leaseback transactions for land and buildings, including a sale and partial leaseback of our shared-services center in Portland, Oregon in 2019. We received aggregate cash proceeds of \$96 million, \$143 million and \$199 million in 2021, 2020 and 2019, respectively. Gains on sale-leaseback transactions are included in Direct operating expense (exclusive of depreciation and amortization) in our Consolidated Statements of Income.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	December 31,	
	2021	2020
<b>Operating leases:</b>		
Operating lease assets	\$ 908	\$ 844
Short-term operating lease liabilities	\$ 170	\$ 152
Operating lease liabilities	752	696
Total operating lease liabilities	\$ 922	\$ 848
<b>Finance leases:</b>		
Property and equipment, gross	\$ 403	\$ 392
Accumulated depreciation	(156)	(135)
Property and equipment, net	\$ 247	\$ 257
Short-term borrowings and current maturities of long-term debt	\$ 57	\$ 59
Long-term debt	180	193
Total finance lease liabilities	\$ 237	\$ 252
Weighted-average remaining lease term:		
Operating leases	8 years	7 years
Finance leases	6 years	6 years
Weighted-average discount rate:		
Operating leases	4.86 %	5.26 %
Finance leases	1.98 %	2.33 %

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	\$ 224	\$ 223	\$ 201
Operating cash flows for finance leases	5	5	5
Financing cash flows for finance leases	75	59	51
Leased assets obtained in exchange for new lease obligations:			
Operating leases	271	268	344
Finance leases	71	46	53

Net operating lease activity, including the reduction of the operating lease asset and the accretion of the operating lease liability, are reflected in Depreciation, amortization and net lease activity on our Consolidated Statements of Cash Flows.

Maturities of lease liabilities as of December 31, 2021 were as follows:

<i>(In millions)</i>	Finance Leases	Operating Leases
2022	\$ 61	\$ 206
2023	56	189
2024	49	151
2025	34	113
2026	18	88
Thereafter	37	373
Total lease payments	255	1,120
Less: interest	(18)	(198)
Present value of lease liabilities	\$ 237	\$ 922

As of December 31, 2021, we had additional operating leases that have not yet commenced with future undiscounted lease payments of \$11 million. These operating leases will commence in 2022 with initial lease terms of 3 years to 7 years.

## 9. Goodwill

<i>(In millions)</i>	North American LTL	Brokerage and Other Services	Total
Goodwill as of December 31, 2019	\$ 722	\$ 1,752	\$ 2,474
Impact of foreign exchange translation and other	—	62	62
Goodwill as of December 31, 2020	722	1,814	2,536
Impact of foreign exchange translation and other	—	(57)	(57)
Goodwill as of December 31, 2021	\$ 722	\$ 1,757	\$ 2,479

There were no cumulative goodwill impairments as of December 31, 2021.

## 10. Intangible Assets

<i>(In millions)</i>	December 31, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangibles				
Customer relationships	\$ 1,192	\$ 612	\$ 1,211	\$ 536

We did not recognize any impairment of our identified intangible assets in 2021 and 2020. We recorded a non-cash, pre-tax charge of \$6 million in 2019 related to the impairment of customer relationships intangibles associated with exiting our direct postal injection business.

Estimated future amortization expense for amortizable intangible assets for the next five years is as follows:

<i>(In millions)</i>	2022	2023	2024	2025	2026	Thereafter
Estimated amortization expense	\$ 75	\$ 65	\$ 64	\$ 62	\$ 62	\$ 252

Actual amounts of amortization expense may differ from estimated amounts due to changes in foreign currency exchange rates, additional intangible asset acquisitions, future impairment of intangible assets, accelerated amortization of intangible assets and other events.

Intangible asset amortization expense was \$86 million, \$87 million and \$96 million for the years ended December 31, 2021, 2020 and 2019, respectively.

## 11. Derivative Instruments

In the normal course of business, we are exposed to risks arising from business operations and economic factors, including fluctuations in interest rates and foreign currencies. We use derivative instruments to manage the volatility related to these exposures. The objective of these derivative instruments is to reduce fluctuations in our earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. These financial instruments are not used for trading or other speculative purposes. Historically, we have not incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

The fair value of our derivative instruments and the related notional amounts were as follows:

<i>(In millions)</i>	December 31, 2021				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges					
Cross-currency swap agreements	\$ 362	Other current assets	\$ —	Other current liabilities	\$ (4)
Cross-currency swap agreements	110	Other long-term assets	—	Other long-term liabilities	—
Interest rate swaps	2,003	Other current assets	—	Other current liabilities	—
Total			\$ —		\$ (4)

<i>(In millions)</i>	December 31, 2020				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges					
Cross-currency swap agreements	\$ 450	Other current assets	\$ —	Other current liabilities	\$ (44)
Cross-currency swap agreements	740	Other long-term assets	—	Other long-term liabilities	(65)
Interest rate swaps	2,003	Other current assets	—	Other current liabilities	(4)
Total			\$ —		\$ (113)

The derivatives are classified as Level 2 within the fair value hierarchy. The derivatives are valued using inputs other than quoted prices such as foreign exchange rates and yield curves.

The effect of derivative and nonderivative instruments designated as hedges on our Consolidated Statements of Income was as follows:

<i>(In millions)</i>	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives			Amount of Gain (Loss) Reclassified from AOCI into Net Income			Amount of Gain Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		
	Years Ended December 31,								
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Derivatives designated as cash flow hedges									
Cross-currency swap agreements	\$ 4	\$ (12)	\$ 7	\$ 7	\$ (15)	\$ 5	\$ —	\$ —	\$ 1
Interest rate swaps	—	(5)	5	—	—	—	—	—	—
Derivatives designated as net investment hedges									
Cross-currency swap agreements	84	(81)	55	—	—	—	6	9	10
Total	\$ 88	\$ (98)	\$ 67	\$ 7	\$ (15)	\$ 5	\$ 6	\$ 9	\$ 11

The pre-tax gain (loss) recognized in earnings for foreign currency option and forward contracts not designated as hedging instruments was a loss of \$1 million, a gain of \$1 million and a loss of \$9 million for the years ended December 31, 2021, 2020 and 2019, respectively. These amounts are recorded in Foreign currency (gain) loss on our Consolidated Statements of Income.

### ***Cross-Currency Swap Agreements***

We enter into cross-currency swap agreements to manage the foreign currency exchange risk related to our international operations by effectively converting our fixed-rate USD-denominated debt, including the associated interest payments, to fixed-rate, euro (“EUR”)-denominated debt. The risk management objective of these transactions is to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and reduce the variability in the functional currency equivalent cash flows of this debt. In 2021, in preparation for the spin-off, we novated (or transferred) cross-currency swaps that were recorded as a liability with a fair value of approximately \$28 million to GXO, as well as the associated amounts in AOCI.

During the term of the swap contracts, we will receive interest, either on a quarterly or semi-annual basis, from the counterparties based on USD fixed interest rates, and we will pay interest, also on a quarterly or semi-annual basis, to the counterparties based on EUR fixed interest rates. At maturity, we will repay the original principal amount in EUR and receive the principal amount in USD. These agreements expire at various dates through 2024.

We designated these cross-currency swaps as qualifying hedging instruments and account for them as net investment hedges. We apply the simplified method of assessing the effectiveness of our net investment hedging relationships. Under this method, for each reporting period, the change in the fair value of the cross-currency swaps is initially



recognized in AOCI. The change in the fair value due to foreign exchange remains in AOCI and the initial component excluded from effectiveness testing will initially remain in AOCI and then will be reclassified from AOCI to Interest expense each period in a systematic manner. For net investment hedges that were de-designated prior to their maturity, the amounts in AOCI will remain in AOCI until the subsidiary is sold or substantially liquidated. Cash flows related to the periodic exchange of interest payments for these net investment hedges are included in Cash flows from operating activities of continuing operations on our Consolidated Statements of Cash Flows.

Prior to the spin-off, we entered into cross-currency swap agreements to manage the related foreign currency exposure from intercompany loans. We designated these cross-currency swaps as qualifying hedging instruments and accounted for them as cash flow hedges. Gains and losses resulting from the change in the fair value of the cross-currency swaps was initially recognized in AOCI and reclassified to Foreign currency (gain) loss to offset the foreign exchange impact in earnings created by settling intercompany loans. Cash flows related to these cash flow hedges was included in Cash flows from operating activities of continuing operations on our Consolidated Statements of Cash Flows.

### ***Interest Rate Hedging***

We execute short-term interest rate swaps to mitigate variability in forecasted interest payments on our Senior Secured Term Loan Credit Agreement (the “Term Loan Credit Agreement”). The interest rate swaps convert floating-rate interest payments into fixed rate interest payments. We designated the interest rate swaps as qualifying hedging instruments and account for these derivatives as cash flow hedges. The outstanding interest rate swaps mature in 2022.

We record gains and losses resulting from fair value adjustments to the designated portion of interest rate swaps in AOCI and reclassify them to Interest expense on the dates that interest payments accrue. Cash flows related to the interest rate swaps are included in Cash flows from operating activities of continuing operations on our Consolidated Statements of Cash Flows.

### ***Foreign Currency Option and Forward Contracts***

We periodically use foreign currency option contracts to mitigate the risk of a reduction in the value of earnings from our operations that use the EUR or the British pound sterling as their functional currency. Additionally, we periodically use foreign currency forward contracts to mitigate exposure from intercompany loans that are not designated as permanent and can create volatility in earnings. Generally, the foreign currency contracts (both option and forward contracts) are not designated as qualifying hedging instruments. The contracts are used to manage our exposure to foreign currency exchange rate fluctuations and are not speculative. The contracts generally expire in 12 months or less. We had no outstanding contracts as of December 31, 2021 and December 31, 2020. Gains or losses on the contracts are recorded in Foreign currency (gain) loss on our Consolidated Statements of Income. Cash flows related to the foreign currency contracts are included in Cash flows from investing activities of continuing operations on our Consolidated Statements of Cash Flows, consistent with the nature and purpose for which these derivatives were acquired.

## 12. Debt

<i>(In millions)</i>	December 31, 2021		December 31, 2020	
	Principal Balance	Carrying Value	Principal Balance	Carrying Value
ABL facility	\$ —	\$ —	\$ 200	\$ 200
Term loan facilities	2,003	1,977	2,003	1,974
6.50% Senior notes due 2022	—	—	1,200	1,195
6.125% Senior notes due 2023	—	—	535	531
6.75% Senior notes due 2024	—	—	1,000	989
6.25% Senior notes due 2025	1,150	1,141	1,150	1,138
6.70% Senior debentures due 2034	300	214	300	210
Borrowings related to securitization program	—	—	24	24
Finance leases, asset financing and other	240	240	260	260
Total debt	3,693	3,572	6,672	6,521
Short-term borrowings and current maturities of long-term debt	58	58	1,286	1,281
Long-term debt	\$ 3,635	\$ 3,514	\$ 5,386	\$ 5,240

The fair value of our debt and classification in the fair value hierarchy was as follows:

<i>(In millions)</i>	Fair Value	Level 1	Level 2
December 31, 2021	\$ 3,811	\$ 1,571	\$ 2,240
December 31, 2020	6,908	4,429	2,479

We valued Level 1 debt using quoted prices in active markets. We valued Level 2 debt using bid evaluation pricing models or quoted prices of securities with similar characteristics. The fair value of the asset financing arrangements approximates carrying value as the debt is primarily issued at a floating rate, the debt may be prepaid at any time at par without penalty, and the remaining life of the debt is short-term in nature.

Our principal payment obligations on debt (excluding finance leases) for the next five years and thereafter was as follows:

<i>(In millions)</i>	2022	2023	2024	2025	2026	Thereafter
Principal payments on debt	\$ —	\$ —	\$ 1	\$ 3,153	\$ 1	\$ 301

### ***ABL Facility***

In 2015, we entered into the ABL Facility that provided commitments of up to \$1.0 billion with a maturity date of October 30, 2020. In April 2019, we amended the ABL Facility including: (i) increasing the commitments to \$1.1 billion, (ii) extending the maturity date to April 30, 2024, subject to springing maturity if some of our senior notes reach specified levels set in the credit agreement and (iii) reducing the interest rate margin. In July 2021, we amended the ABL Facility to reduce the commitments from \$1.1 billion to \$1.0 billion. There were no other significant changes made to the terms of the facility. We can issue up to \$350 million of letters of credit under the ABL Facility.

Our availability under the ABL Facility is equal to the borrowing base less advances and outstanding letters of credit. Our borrowing base includes a fixed percentage of: (i) our eligible U.S. and Canadian accounts receivable; plus (ii) any of our eligible U.S. and Canadian rolling stock and equipment. A maximum of 20% of our borrowing base can be equipment and rolling stock in the aggregate. As of December 31, 2021, our borrowing base was \$1.0 billion and our availability was \$995 million after considering outstanding letters of credit of \$5 million. As of December 31, 2021, we were in compliance with the ABL Facility's financial covenants.

Our loans under the ABL Facility bear interest at a rate equal to: LIBOR or base rate plus (i) an applicable margin of 1.25% to 1.50% for LIBOR loans or (ii) 0.25% to 0.50%, for base rate loans.

The ABL Facility is secured on a first lien basis by the assets of the credit parties as priority collateral and on a second lien basis by certain other assets. The priority collateral consists primarily of our U.S. and Canadian accounts receivable and any of our U.S. and Canadian rolling stock and equipment included in our borrowing base. The ABL Facility contains representations and warranties, affirmative and negative covenants, and events of default customary for agreements of this nature.

The covenants in the ABL Facility can limit our ability to incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make certain investments and restricted payments; and enter into certain transactions with affiliates. We may also be required to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) of not less than 1.00 if availability under the ABL Facility is below certain thresholds. As of December 31, 2021, we were compliant with this financial covenant.

### ***Letters of Credit Facility***

In 2020, we entered into a \$200 million uncommitted secured evergreen letter of credit facility. The letter of credit facility had an initial one-year term, which automatically renewed for an additional year, and may automatically renew with one-year terms until the letter of credit facility terminates. As of December 31, 2021, we have issued \$198 million in aggregate face amount of letters of credit under the facility.

### ***Term Loan Facilities***

In 2015, we entered into a Term Loan Credit Agreement that provided for a single borrowing of \$1.6 billion. We amended the Term Loan Credit Agreement in 2019 to include a new tranche of term loans (the “Incremental Term Loan Facility”), to reduce the interest rates and to extend the maturity dates. Net proceeds from borrowings under the Incremental Term Loan Facility were used for general corporate purposes, including to fund purchases of our common stock described in Note 14—Stockholders’ Equity. The loans under the Incremental Term Loan Facility were issued at a price of 99.50% of par. In 2021, we amended the Term Loan Credit Agreement to consolidate our tranches and lower the interest rate. The applicable terms of the Term Loan Credit Agreement, as amended, are as follows:

<i>(In millions)</i>	December 31, 2021	December 31, 2020	
		First Tranche	Second Tranche
Principal balance	\$ 2,003	\$ 1,503	\$ 500
Interest spread:			
Base rate loans	0.75 %	1.00 %	1.50 %
LIBOR loans	1.75 %	2.00 %	2.50 %
Maturity date	February 2025	February 2025	February 2025

We recorded a debt extinguishment loss of \$3 million in 2021 due to this amendment. The interest rate on our term loan facility was 1.85% as of December 31, 2021.

We must prepay an aggregate principal amount of the term loan facility equal to (a) 50% of any Excess Cash Flow, as defined in the agreement, for the most recent fiscal year ended, minus (b) the sum of (i) all voluntary prepayments of loans during the fiscal year and (ii) all voluntary prepayments of loans under the ABL Facility or any other revolving credit facilities during the fiscal year if accompanied by a corresponding permanent reduction in the commitments under the credit agreement or any other revolving credit facilities in the case of each of the immediately preceding clauses (i) and (ii), if such prepayments are funded with internally generated cash flow, as defined in the agreement. If our Consolidated Secured Net Leverage Ratio, as defined in the agreement, for the fiscal year was less than or equal to 3.00:1.00 and greater than 2.50:1.00, the Excess Cash Flow percentage will be 25%. If our Consolidated Secured Net Leverage Ratio for the fiscal year was less than or equal to 2.50:1.00, the Excess Cash Flow percentage will be 0%. The remaining principal is due at maturity. As of December 31, 2021, our Consolidated Secured Net Leverage Ratio was less than 2.50:1.00, and no excess cash payment was required.

### ***Senior Notes***

In the third quarter of 2021, we redeemed our outstanding 6.125% senior notes due 2023 (“Senior Notes due 2023”) and our outstanding 6.75% senior notes due 2024 (“Senior Notes due 2024”). The Senior Notes due 2024 were originally issued in 2019 and the proceeds were used to repay our outstanding obligation under the Unsecured Credit Facility described below and to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity. The redemption price for the Senior Notes due 2023 was 100.0% of the principal amount, plus accrued and unpaid interest and the redemption price for the Senior Notes due 2024 was 103.375% of the principle amount, plus accrued and unpaid interest. We paid for the redemption using cash received from GXO of approximately \$794 million, proceeds from an equity offering described in Note 14—Stockholders’ Equity and available cash. We recorded debt extinguishment losses of \$3 million and \$43 million in 2021 related to the redemption of the Senior Notes due 2023 and Senior Notes due 2024, respectively.

In January 2021, we redeemed our outstanding 6.50% senior notes due 2022 (“Senior Notes due 2022”) that were originally issued in 2015. The redemption price for the notes was 100.0% of the principal amount, plus accrued and unpaid interest. We paid for the redemption with available cash, including the net proceeds from the issuance of our 6.25% senior notes due 2025 (“Senior Notes due 2025”) as described below. We recorded a debt extinguishment loss of \$5 million in 2021 due to this redemption.

In 2020, we completed private placements of \$1.15 billion aggregate principal amount of Senior Notes due 2025. The Senior Notes due 2025 mature on May 1, 2025 and bear interest at a rate of 6.25% per annum. Interest on the notes is paid semi-annually. A total of \$850 million of the notes were issued at par, and \$300 million of the notes were issued subsequently at 101.75% of face value. Net proceeds from the notes were initially invested in cash and cash equivalents and were subsequently used in 2021 to redeem our outstanding Senior Notes due 2022 as described above.

The senior notes are guaranteed by each of our direct and indirect wholly-owned restricted subsidiaries (other than some excluded subsidiaries) that are obligors under, or guarantee obligations under, our ABL Facility or existing Term Loan facility or guarantee certain of our capital markets indebtedness or any guarantor of the senior notes. The senior notes and its guarantees are unsecured, unsubordinated indebtedness for us and our guarantors. The senior notes contain covenants customary for notes of this nature.

### ***Senior Debentures***

We assumed in conjunction with an acquisition 6.70% Senior Debentures due 2034 (the “Senior Debentures”) with an aggregate principal amount of \$300 million. The Senior Debentures bear interest payable semiannually, in cash in arrears, and mature on May 1, 2034. Including amortization of the fair value adjustment recorded on the acquisition date, interest expense on the Senior Debentures is recognized at an annual effective interest rate of 10.96%.

### ***Trade Securitization Program***

As discussed in Note 2—Basis of Presentation and Significant Accounting Policies, our European business participates in a trade receivables securitization program. The program contains financial covenants customary for this type of arrangement, including maintaining a defined average days sales outstanding ratio.

Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables. These borrowings are owed to the program’s Purchasers and are included in short-term debt until they are repaid in the following month’s settlement. We had no such borrowings outstanding as of December 31, 2021 and had borrowings of €20 million (\$24 million) as of December 31, 2020.

### ***Unsecured Credit Facility***

In December 2018, we entered into a \$500 million unsecured credit facility (“Unsecured Credit Facility”). As of December 31, 2018, we had borrowed \$250 million under the Unsecured Credit Facility. We borrowed an additional \$250 million in January 2019. We used the proceeds of both borrowings to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity. In connection with the issuance of the Senior Notes due 2024 described above, we repaid our outstanding obligations under the Unsecured Credit Facility and terminated it in February 2019. We recorded a debt extinguishment loss of \$5 million in 2019 in connection with this repayment.

## **13. Employee Benefit Plans**

### **Defined Benefit Pension Plans**

We sponsor both funded and unfunded defined benefit pension plans for some employees in the U.S. These pension plans include qualified plans that are eligible for beneficial treatment under the Internal Revenue Code and non-qualified plans that provide additional benefits for employees who are impacted by limitations on compensation eligible for benefits available under the qualified plans. Prior to the spin-off of GXO, the pension plan for some employees in the United Kingdom was sold to a GXO entity and GXO paid approximately £26 million (approximately \$34 million) to XPO, which represented the value of the net assets at the date of the sale. In connection with this transaction, approximately \$82 million of accumulated other comprehensive income, net of tax, was transferred to GXO. We also maintain defined benefit pension plans for some of our foreign subsidiaries that are excluded from the disclosures below due to their immateriality. The information below excludes the results of the pension plan that was sold to GXO.

We measure defined benefit pension plan obligations based on the present value of projected future benefit payments for all participants for services rendered to date. The projected benefit obligation is a measure of benefits attributed to service to date, assuming that the plan continues in effect and that estimated future events (including turnover and mortality) occur. We determine the net periodic benefit costs using assumptions regarding the projected benefit obligation and the fair value of plan assets as of the beginning of the year. Net periodic benefit costs are recorded in Other income on our Consolidated Statements of Income. We calculate the funded status of the defined benefit pension plans, which represents the difference between the projected benefit obligation and the fair value of plan assets, on a plan-by-plan basis.

### ***Funded Status of Defined Benefit Pension Plans***

The reconciliation of the changes in the plans’ projected benefit obligations as of December 31 was as follows:

<i>(In millions)</i>	<b>2021</b>	<b>2020</b>
Projected benefit obligation at beginning of year	\$ 2,052	\$ 1,862
Interest cost	39	54
Actuarial (gain) loss	(82)	216
Benefits paid	(84)	(80)
Projected benefit obligation at end of year	<u>\$ 1,925</u>	<u>\$ 2,052</u>

The actuarial gain in 2021 was a result of assumption changes, including an increase in the discount rate, updated mortality projection scales and other assumptions for plan participants.

The reconciliation of the changes in the fair value of plan assets as of December 31 was as follows:

<i>(In millions)</i>	2021	2020
Fair value of plan assets at beginning of year	\$ 2,062	\$ 1,863
Actual return on plan assets	25	274
Employer contributions	6	5
Benefits paid	(84)	(80)
Fair value of plan assets at end of year	<u>\$ 2,009</u>	<u>\$ 2,062</u>

The funded status of the plans as of December 31 was as follows:

<i>(In millions)</i>	2021	2020
Funded status at end of year	\$ 84	\$ 10
Amount recognized in balance sheet:		
Long-term assets	\$ 156	\$ 88
Current liabilities	(5)	(5)
Long-term liabilities	(67)	(73)
Net pension asset recognized	<u>\$ 84</u>	<u>\$ 10</u>
Plans with projected and accumulated benefit obligation in excess of plan assets:		
Projected and accumulated benefit obligation <sup>(1)</sup>	\$ 72	\$ 78

(1) Relates to our non-qualified plans which are unfunded.

The funded status of our qualified plans and non-qualified plans was \$156 million and \$(72) million, respectively, as of December 31, 2021.

The actuarial loss included in AOCI that has not yet been recognized in net periodic benefit expense was \$43 million and \$50 million, respectively, as of December 31, 2021 and 2020.

The net periodic benefit cost and amounts recognized in Other comprehensive income (loss) for the years ended December 31 was as follows:

<i>(In millions)</i>	2021	2020	2019
Net periodic benefit (income) expense:			
Interest cost	\$ 39	\$ 54	\$ 66
Expected return on plan assets	(101)	(102)	(90)
Amortization of actuarial loss	1	—	—
Net periodic benefit income	<u>\$ (61)</u>	<u>\$ (48)</u>	<u>\$ (24)</u>
Amounts recognized in Other comprehensive income (loss):			
Actuarial (gain) loss	\$ (7)	\$ 45	\$ (49)
Reclassification of recognized AOCI gain due to settlements	—	—	—
(Gain) loss recognized in Other comprehensive income (loss)	<u>\$ (7)</u>	<u>\$ 45</u>	<u>\$ (49)</u>

The weighted-average assumptions used to determine the net periodic benefit costs and benefit obligations for the year ended December 31 were as follows:

	Qualified Plans			Non-Qualified Plans		
	2021	2020	2019	2021	2020	2019
Discount rate - net periodic benefit costs	1.96 %	2.96 %	4.08%	1.11% - 1.71%	2.40% - 2.78%	3.65% - 3.95%
Discount rate - benefit obligations	2.84 %	2.48 %	3.35%	2.19% - 2.72%	1.62% - 2.30%	2.72% - 3.20%
Expected long-term rate of return on plan assets	5.00 %	5.60 %	5.80%			

No rate of compensation increase was assumed as the plans are frozen to additional participant benefit accruals.

We use a full yield curve approach to estimate the interest cost component of net periodic benefit cost by applying specific spot rates along the yield curve used to determine the benefit obligation to each of the underlying projected cash flows based on time until payment.

Expected benefit payments for the defined benefit pension plans for the years ended December 31 are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

<i>(In millions)</i>	2022	2023	2024	2025	2026	2027-2030
Expected benefit payments	\$ 94	\$ 97	\$ 100	\$ 102	\$ 104	\$ 532

#### Plan Assets

We manage the assets in the U.S. plans using a long-term liability-driven investment strategy that seeks to mitigate the funded status volatility by increasing participation in fixed income investments as the plan's funded status increases. We developed this strategy by analyzing a variety of diversified asset-class combinations with the projected liabilities.

Our current investment strategy is to achieve an investment mix of approximately 88% in fixed income securities and 12% of investments in equity securities. The fixed income allocation consists primarily of domestic fixed income securities and targets to hedge more than 95% of domestic projected liabilities. The target allocations for equity securities includes approximately 50% in U.S. equities and approximately 50% in non-U.S. equities. Investments in equity and fixed income securities consist of individual securities held in managed separate accounts and commingled investment funds. Generally, our investment strategy does not include an allocation to cash and cash equivalents, but a cash allocation may arise periodically in response to timing considerations regarding contributions, investments, and the payment of benefits and eligible plan expenses. We periodically evaluate our defined benefit plans' asset portfolios for significant concentrations of risk. Types of investment concentration risks that are evaluated include concentrations in a single issuer, specific security, asset class, credit rating, duration, industry/sector, currency, foreign country or individual fund manager. As of December 31, 2021, our defined benefit plan assets had no significant concentrations of risk.

Our investment policy does not allow investment managers to use market-timing strategies or financial derivative instruments for speculative purposes but financial derivative instruments are used to manage risk and achieve stated investment objectives for duration, yield curve, credit, foreign exchange and equity exposures. Generally, our investment managers are prohibited from short selling, trading on margin, and trading commodities, warrants or other options, except when acquired as a result of the purchase of another security, or in the case of options, when sold as part of a covered position.

The assumption of 5.00% for the overall expected long-term rate of return on plan assets in 2021 was developed using asset allocation and return expectations. The return expectations are created using long-term historical and expected returns for the various asset classes and current market expectations for inflation, interest rates and economic growth.

The fair values of investments held in the qualified pension plans by major asset category as of December 31, 2021 and 2020, and the percentage that each asset category comprises of total plan assets were as follows:

<i>(Dollars in millions)</i>	Level 1	Level 2	Not Subject to Leveling <sup>(1)</sup>	Total	Percentage of Plan Assets
<b>December 31, 2021</b>					
Cash and cash equivalents:					
Short-term investment fund	\$ —	\$ —	\$ 34	\$ 34	1.7 %
Equity:					
U.S. large companies	—	—	107	107	5.3 %
U.S. small companies	—	—	17	17	0.8 %
International	47	—	82	129	6.4 %
Fixed income securities	406	1,310	6	1,722	85.8 %
Total plan assets	<u>\$ 453</u>	<u>\$ 1,310</u>	<u>\$ 246</u>	<u>\$ 2,009</u>	<u>100.0 %</u>
<b>December 31, 2020</b>					
Cash and cash equivalents:					
Short-term investment fund	\$ —	\$ —	\$ 37	\$ 37	1.8 %
Equity:					
U.S. large companies	—	—	136	136	6.6 %
U.S. small companies	—	—	33	33	1.6 %
International	53	—	102	155	7.5 %
Fixed income securities	425	1,274	1	1,700	82.5 %
Derivatives	—	1	—	1	— %
Total plan assets	<u>\$ 478</u>	<u>\$ 1,275</u>	<u>\$ 309</u>	<u>\$ 2,062</u>	<u>100.0 %</u>

(1) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total defined benefit pension plan assets.

For the periods ended December 31, 2021 and 2020, we had no investments held in the pension plans within Level 3 of the fair value hierarchy. Our common stock was not a plan asset as of December 31, 2021 or 2020. The non-qualified plans are unfunded.

### **Funding**

Our funding practice is to evaluate our tax and cash position, and the funded status of our plans, in determining our planned contributions. We estimate that we will contribute \$5 million to our non-qualified plans in 2022 but this could change based on variations in interest rates, asset returns and other factors.

### **Defined Contribution Retirement Plans**

Our costs for defined contribution retirement plans were \$60 million, \$57 million and \$57 million for the years ended December 31, 2021, 2020 and 2019, respectively.

### **Postretirement Medical Plan**

We provide health benefits through a postretirement medical plan for eligible employees hired before 1993 (the "Postretirement Plan").



### ***Funded Status of Postretirement Medical Plan***

The reconciliation of the changes in the plan's benefit obligation and the determination of the amounts recognized on our Consolidated Balance Sheets were as follows:

<i>(In millions)</i>	As of December 31,	
	2021	2020
Projected benefit obligation at beginning of year	\$ 44	\$ 41
Interest cost on projected benefit obligation	1	1
Actuarial loss	—	4
Participant contributions	1	1
Benefits paid	(5)	(3)
Projected and accumulated benefit obligation at end of year	\$ 41	\$ 44
Funded status of the plan	\$ (41)	\$ (44)
Amounts recognized in the balance sheet consist of:		
Current liabilities	\$ (3)	\$ (3)
Long-term liabilities	(38)	(41)
Net amount recognized	\$ (41)	\$ (44)
Discount rate assumption as of December 31	2.67 %	2.20 %

The amounts included in AOCI that have not yet been recognized in net periodic benefit income (expense) and the net periodic benefit income (expense) for the postretirement plan were not material in any of the periods presented. The discount rates assumptions used to calculate the interest cost were 1.56% - 2.34%, 2.66% - 3.22% and 3.87% - 4.36% for the years ended December 31, 2021, 2020 and 2019, respectively.

Expected benefit payments, which reflect expected future service, as appropriate, for the years ended December 31 are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

<i>(In millions)</i>	2022	2023	2024	2025	2026	2027-2030
Expected benefit payments	\$ 3	\$ 3	\$ 3	\$ 4	\$ 3	\$ 14

## **14. Stockholders' Equity**

Our Board of Directors is authorized to establish one or more series of preferred stock.

### ***Series A Convertible Perpetual Preferred Stock and Warrants***

In 2011, we issued 75,000 shares of the Series A Preferred Stock with an initial liquidation preference of \$1,000 per share which were convertible into shares of our common stock at a conversion price of \$7.00 per common share (subject to customary anti-dilution adjustments). We also issued warrants exercisable for shares of our common stock at an initial exercise price of \$7.00 per common share (subject to customary anti-dilution adjustments). Our preferred stock ranked senior to our common stock with respect to dividend and liquidation rights. Our preferred stock paid quarterly cash dividends equal to the greater of: (i) the "as-converted" dividends on our underlying common stock for the relevant quarter and (ii) 4% of the then-applicable liquidation preference per annum. Our preferred stock was not redeemable.

In December 2020, some holders of our convertible preferred stock exchanged their holdings for a combination of our common stock, based on the stated conversion price, and a lump-sum payment that represents an approximation of the net present value of the future dividends payable on the preferred stock. Additionally, some holders of our warrants exchanged (or committed to exchange subject to the satisfaction of certain customary closing conditions)

their holdings, including Jacobs Private Equity, LLC (“JPE”), an entity controlled by the Company’s chairman and chief executive officer, for a number of shares of our common stock equal to the number of shares of common stock that such holder would be entitled to receive upon an exercise of the warrants less the number of shares of common stock that have an approximate value equal to the exercise price of the warrants. With respect to the preferred stock, through December 31, 2020, 69,445 shares were exchanged, and we issued 9.9 million shares of common stock and paid \$22 million of cash. The \$22 million was reflected as a preferred stock conversion charge in 2020 in the accompanying consolidated financial statements. With respect to the warrants, through December 31, 2020, 0.3 million warrants were exchanged, and we issued 0.3 million shares of common stock.

In 2021, the remaining 1,015 preferred shares were exchanged, and we issued 0.1 million shares of common stock. With respect to the warrants, in 2021, 9.8 million warrants were exchanged, and we issued 9.2 million shares of common stock. These exchanges were intended to simplify our equity capital structure, including in contemplation of the spin-off of our Logistics segment. As of December 31, 2021, there were no shares of preferred stock or warrants outstanding.

### **Share Issuance**

In July 2021, we completed a registered underwritten offering of 5.0 million shares of our common stock at a public offering price of \$138.00 per share, plus an additional 750,000 shares of our common stock through an option granted to underwriters. Of the 5.0 million shares, we offered 2.5 million shares directly and 2.5 million shares were offered by JPE. The additional 750,000 purchased shares were also split equally between us and JPE. We received approximately \$384 million of proceeds, net of fees and expenses, from the sale of the shares and used them to repay a portion of our outstanding borrowings and for general corporate purposes. XPO did not receive any proceeds from the sale of shares by JPE.

### **Share Repurchases**

In December 2018, our Board of Directors authorized the repurchase of up to \$1 billion of our common stock, which was completed in the first quarter of 2019. The share repurchases were funded by our Unsecured Credit Facility and available cash.

In February 2019, our Board of Directors authorized additional repurchases of up to \$1.5 billion of our common stock. The 2019 authorization permits us to purchase shares in both the open market and in private transactions, with the timing and number of shares dependent on a variety of factors, including price, general business conditions, market conditions, alternative investment opportunities and funding considerations. We are not obligated to repurchase any specific number of shares and may suspend or discontinue the program at any time. The share purchases under this program have been funded by our available cash and proceeds from our 2019 debt offerings.

There were no share repurchases in 2021. Our remaining share repurchase authorization as of December 31, 2021 is \$503 million. Information regarding our shares repurchased, based on settlement date, in 2020 and 2019 were as follows:

<i>(In millions, except per share data)</i>	<b>Years Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Shares purchased and retired	2	25
Aggregate value	\$ 114	\$ 1,347
Average price per share	\$ 66.58	\$ 53.41
Remaining authorization	\$ 503	\$ 617

## 15. Stock-Based Compensation

We grant various types of stock-based compensation awards to directors, officers and key employees under our 2016 incentive plan. These awards include stock options, restricted stock, restricted stock units, performance-based units, cash incentive awards and other equity-related awards (collectively, “Awards”).

As a result of the spin-off and in accordance with plan rules, the shares remaining for future issuance under the 2016 plan were equitably adjusted. With this adjustment, up to 7.2 million shares of our common stock have been authorized for issuance as Awards. Shares awarded may consist of authorized and unissued shares or treasury shares. The 2016 plan will terminate on May 15, 2029, unless terminated earlier by our Board of Directors. As of December 31, 2021, 1.7 million shares of our common stock were available for the grant of Awards under the 2016 plan.

In connection with the spin-off, stock-based compensation awards that were previously granted to GXO’s employees and directors under XPO’s incentive plan were converted to awards issued under GXO’s incentive plan. Additionally, in order to preserve the value of the awards held by employees continuing with XPO following the spin-off, the number of outstanding shares underlying the awards were adjusted using the ratio and methodology outlined in the EMA. The ratio was based on the closing price per share of XPO common stock on July 30, 2021 compared to the closing price per share of XPO common stock on August 2, 2021. The strike prices of options were similarly adjusted as outlined in the EMA. The impact of these adjustments on the number of awards outstanding is included in the effect of spin-off activity in the tables below. The modification of these awards in connection with the spin-off did not result in incremental compensation cost.

Our employee stock purchase plan offers eligible employees, excluding our executive officers and directors, the right to purchase our common stock up to 10% of each employee’s compensation. Shares are purchased at 5% below fair market value on the last trading day of each six-month offering period. The plan authorizes the purchase of up to two million shares of our common stock. The plan will terminate in October 2027, unless terminated earlier by our Board of Directors. We do not recognize stock-based compensation expense as the plan is non-compensatory. At December 31, 2021, two million shares of our common stock were available for purchase under the plan.

Our stock-based compensation expense is recorded in SG&A on our Consolidated Statements of Income:

<i>(In millions)</i>	Years ended December 31,		
	2021	2020	2019
Restricted stock and restricted stock units	\$ 28	\$ 32	\$ 24
Performance-based restricted stock units	9	2	5
Cash-settled performance-based restricted stock units	—	7	27
Total stock-based compensation expense	\$ 37	\$ 41	\$ 56
Tax benefit on stock-based compensation	\$ (5)	\$ (13)	\$ (2)

### Stock Options

Our stock options typically vest over three to five years after the grant date for our employees and officers and one year after the grant date for our Board of Directors. The stock options have a 10-year contractual term and the exercise price equals our stock price on the grant date.

A summary of stock option award activity for the year ended December 31, 2021 is presented below:

	Stock Options		
	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Term
Outstanding as of December 31, 2020 <sup>(1)</sup>	42,755	\$ 21.01	3.36
Granted <sup>(2)</sup>	—	—	—
Exercised	(51,783)	14.62	—
Forfeited	—	—	—
Effect of spin-off <sup>(3)</sup>	15,636	NM	—
Outstanding as of December 31, 2021	6,608	\$ 9.80	0.93
Options exercisable as of December 31, 2021	6,608	\$ 9.80	0.93

NM - Not meaningful

- (1) Outstanding awards at December 31, 2020 includes awards that were subsequently converted to awards issued under GXO's incentive plan.
- (2) The above table excludes stock option awards that were granted in 2021 that subsequently converted to awards issued under GXO's incentive plan.
- (3) Represents the net impact of (i) adjustments made to preserve the value of awards immediately before and after the spin-off, and (ii) the conversion of certain awards to awards issued under GXO's incentive plan.

The intrinsic value of options outstanding and exercisable as of December 31, 2021 was less than \$1 million.

The total intrinsic value of options exercised during 2021, 2020 and 2019 was \$4 million, \$56 million and \$6 million, respectively. The total cash received from options exercised during 2021, 2020 and 2019 was \$2 million, less than \$1 million and \$1 million, respectively.

#### Restricted Stock, Restricted Stock Units and Performance-Based Restricted Stock Units

We grant RSUs and PRSUs to our key employees, officers and directors with various vesting requirements. RSUs generally vest based on the passage of time (service conditions) and PRSUs generally vest based on the achievement of our financial targets (performance conditions). PRSUs may also be subject to stock price (market conditions), employment conditions and other non-financial conditions. The holders of the RSUs and PRSUs do not have the rights of a stockholder and do not have voting rights until the shares are issued and delivered in settlement of the awards.

The number of RSUs and PRSUs vested includes shares of our common stock that we withheld on behalf of our employees to satisfy the minimum tax withholdings. We estimate the fair value of PRSUs subject to market-based vesting conditions using a Monte Carlo simulation lattice model.

A summary of RSU and PRSU award activity for the year ended December 31, 2021 is presented below:

	RSUs		PRSUs	
	Number of RSUs	Weighted-Average Grant Date Fair Value	Number of PRSUs	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2020 <sup>(1)</sup>	1,615,812	\$ 67.43	1,856,561	\$ 45.39
Granted	839,372	87.13	70,954	80.67
Vested	(578,216)	68.31	(22,617)	75.00
Forfeited and canceled	(337,312)	105.04	(597,739)	44.19
Effect of spin-off <sup>(2)</sup>	(78,046)	NM	699,076	NM
Outstanding as of December 31, 2021	1,461,610	\$ 54.81	2,006,235	\$ 46.19

NM - Not meaningful

- (1) Outstanding awards at December 31, 2020 includes awards that were subsequently converted to awards issued under GXO's incentive plan.
- (2) Represents the net impact of (i) adjustments made to preserve the value of awards immediately before and after the spin-off, and (ii) the conversion of certain awards to awards issued under GXO's incentive plan.

The total fair value of RSUs that vested during 2021, 2020 and 2019 was \$69 million, \$64 million and \$13 million, respectively. All of the outstanding RSUs as of December 31, 2021 vest subject to service conditions.

The total fair value of PRSUs that vested during 2021, 2020 and 2019 was \$2 million, \$8 million and \$23 million, respectively. Of the outstanding PRSUs as of December 31, 2021, 1,700,480 vest subject to service and a combination of market and performance conditions, 283,764 vest subject to service and performance conditions and 21,991 vest subject to service and market conditions.

As of December 31, 2021, unrecognized compensation cost related to non-vested RSUs and PRSUs of \$69 million is anticipated to be recognized over a weighted-average period of approximately 2.64 years.

## 16. Income Taxes

Income (loss) from continuing operations before taxes related to our U.S. and foreign operations was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
U.S.	\$ 420	\$ 45	\$ 286
Foreign	(10)	(80)	15
Income (loss) from continuing operations before income tax provision (benefit)	\$ 410	\$ (35)	\$ 301

The income tax provision (benefit) is comprised of the following:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Current:</b>			
U.S. Federal	\$ 56	\$ 30	\$ (3)
State	13	7	1
Foreign	13	16	22
<b>Total current income tax provision</b>	<b>\$ 82</b>	<b>\$ 53</b>	<b>\$ 20</b>
<b>Deferred:</b>			
U.S. Federal	\$ (10)	\$ (40)	\$ 52
State	(7)	(3)	4
Foreign	22	(32)	(16)
<b>Total deferred income tax provision (benefit)</b>	<b>5</b>	<b>(75)</b>	<b>40</b>
<b>Total income tax provision (benefit)</b>	<b>\$ 87</b>	<b>\$ (22)</b>	<b>\$ 60</b>

The effective tax rate reconciliations were as follows:

	Years Ended December 31,		
	2021	2020	2019
U.S. federal statutory tax rate	21.0 %	21.0 %	21.0 %
State taxes, net of U.S. federal benefit	2.4	(7.4)	1.2
Foreign operations <sup>(1)</sup>	10.3	16.9	(1.1)
Contribution- and margin-based taxes	1.2	(22.4)	2.8
Changes in uncertain tax positions	(2.1)	(10.8)	(1.6)
Non-deductible compensation	1.8	(0.4)	0.1
Provision to return adjustments	1.2	11.4	(1.4)
Effect of law changes	(1.0)	(3.9)	0.8
Stock-based compensation	(1.4)	42.0	(0.9)
Long-term capital loss	(11.0)	—	—
Other <sup>(2)</sup>	(1.1)	17.0	(1.2)
<b>Effective tax rate</b>	<b>21.3 %</b>	<b>63.4 %</b>	<b>19.7 %</b>

(1) Foreign operations include the net impact of changes to valuation allowances, the cost of inclusion of foreign income in the U.S. net of foreign taxes, the impact of foreign tax rate differences from the U.S. Federal rate and permanent items related to foreign operations.

(2) In the year ended December 31, 2020, the impact of “Other” on the effective tax rate was disproportionately high compared to 2019 and 2021 due to the low income (loss) from continuing operations before income tax provision (benefit) in 2020. For 2020, “Other” is primarily comprised of 7.7% of U.S. Federal tax credits, 6.5% of U.S. Federal tax permanent adjustments, and 2.7% of changes in valuations allowance.

### Components of the Net Deferred Tax Asset or Liability

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability were as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2021	2020
Deferred tax asset		
Net operating loss and other tax attribute carryforwards	\$ 77	\$ 72
Accrued expenses	60	87
Pension and other retirement obligations	—	21
Other	46	69
Total deferred tax asset	183	249
Valuation allowance	(37)	(40)
Total deferred tax asset, net	146	209
Deferred tax liability		
Intangible assets	(172)	(194)
Property and equipment	(252)	(256)
Pension and other retirement obligations	(6)	—
Other	(24)	(38)
Total deferred tax liability	(454)	(488)
Net deferred tax liability	\$ (308)	\$ (279)

The deferred tax asset and deferred tax liability above are reflected on our Consolidated Balance Sheets as follows:

<i>(In millions)</i>	December 31,	
	2021	2020
Other long-term assets	\$ 8	\$ 7
Deferred tax liability	(316)	(286)
Net deferred tax liability	\$ (308)	\$ (279)

### Operating Loss and Tax Credit Carryforwards

Our operating loss and tax credit carryforwards were as follows:

<i>(In millions)</i>	Expiration Date	December 31,	
		2021	2020
Federal net operating losses for all U.S. operations (including those of minority owned subsidiaries)	2033 - 2037 <sup>(1)</sup>	\$ 14	\$ 22
Federal long-term capital loss carryforwards	2027	126	—
Tax effect (before federal benefit) of state net operating losses	Various times starting in 2022 <sup>(1)</sup>	24	26
Federal tax credit carryforwards	Various times starting in 2032	1	—
State tax credit carryforward	Various times starting in 2022 <sup>(1)</sup>	3	4
Foreign net operating losses available to offset future taxable income	Various times starting in 2022 <sup>(1)</sup>	93	189

(1) Some credits and losses have unlimited carryforward periods.

### Valuation Allowance

We established a valuation allowance for some of our deferred tax assets, as it is more likely than not that these assets will not be realized in the foreseeable future. We concluded that the remaining deferred tax assets will more likely than not be realized, though this is not assured, and as such no valuation allowance has been provided on these assets.

The balances and activity related to our valuation allowance were as follows:

<i>(In millions)</i>	Beginning Balance	Additions	Reductions	Ending Balance
Year Ended December 31, 2021	\$ 40	\$ 43	\$ (46)	\$ 37
Year Ended December 31, 2020	33	8	(1)	40
Year Ended December 31, 2019	38	3	(8)	33

### Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2021	2020	2019
Beginning balance	\$ 17	\$ 15	\$ 20
Additions for tax positions of the current period	—	—	—
Additions for tax positions of prior years	—	5	3
Reductions for tax positions of prior years	(1)	(1)	(7)
Settlements with tax authorities	(1)	(1)	(1)
Reductions due to the statute of limitations	(7)	(1)	—
Currency translation adjustment	—	—	—
Ending balance	\$ 8	\$ 17	\$ 15
Interest and penalties	5	6	6
Gross unrecognized tax benefits	\$ 13	\$ 23	\$ 21
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 8	\$ 17	\$ 15

We could reflect a reduction to unrecognized tax benefits of up to \$1 million over the next 12 months due to the statute of limitations lapsing on positions or because tax positions are sustained on audit.

We are subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2021, we have no tax years under examination by the IRS. We have various U.S. state and local examinations and non-U.S. examinations in process. The U.S. federal tax returns after 2008, state and local returns after 2013, and non-U.S. returns after 2010 are open under relevant statutes of limitations and are subject to audit.

## 17. Earnings Per Share

We compute basic and diluted earnings per share using the two-class method, which allocates earnings to participating securities. The participating securities in 2020 and 2019 consisted of our Series A Convertible Perpetual Preferred Stock. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Losses are not allocated to the preferred shares. As discussed in Note 14—Stockholders' Equity, we recorded a preferred stock conversion charge in December 2020 in connection with the conversion of our Series A preferred stock.



The computations of basic and diluted earnings per share were as follows:

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2021	2020	2019
<b>Basic earnings (loss) per common share</b>			
Income (loss) from continuing operations	\$ 323	\$ (13)	\$ 241
Net loss from continuing operations attributable to noncontrolling interests	—	3	—
Net income (loss) from continuing operations attributable to XPO	323	(10)	241
Preferred stock conversion charge	—	(22)	—
Series A preferred stock dividends	—	(3)	(3)
Non-cash allocation of undistributed earnings	—	(6)	(37)
Net income (loss) from continuing operations attributable to common shares	\$ 323	\$ (41)	\$ 201
Income from discontinued operations, net of taxes	\$ 18	\$ 130	\$ 199
Net income from discontinued operations attributable to noncontrolling interests	(5)	(10)	(21)
Net income from discontinued operations attributable to common shares	\$ 13	\$ 120	\$ 178
Net income (loss) from continuing operations attributable to common shares, basic	\$ 323	\$ (41)	\$ 201
Net income from discontinued operations attributable to common shares, basic	13	120	178
Net income attributable to common shares, basic	\$ 336	\$ 79	\$ 379
Basic weighted-average common shares	112	92	96
Basic earnings (loss) from continuing operations per share	\$ 2.88	\$ (0.45)	\$ 2.09
Basic earnings from discontinued operations per share	0.11	1.32	1.86
Basic earnings per share	\$ 2.99	\$ 0.87	\$ 3.95
<b>Diluted earnings (loss) per common share</b>			
Net income (loss) from continuing operations attributable to common shares, diluted	\$ 323	\$ (41)	\$ 201
Net income from discontinued operations attributable to common shares, diluted	13	120	178
Net income attributable to common shares, diluted	\$ 336	\$ 79	\$ 379
Basic weighted-average common shares	112	92	96
Dilutive effect of stock-based awards and warrants	2	—	10
Diluted weighted-average common shares	114	92	106
Diluted earnings (loss) from continuing operations per share	\$ 2.82	\$ (0.45)	\$ 1.89
Diluted earnings from discontinued operations per share	0.11	1.32	1.68
Diluted earnings per share	\$ 2.93	\$ 0.87	\$ 3.57
Potential common shares excluded	—	20	10

Certain shares were not included in the computation of diluted earnings (loss) per share because the effect was anti-dilutive.

## 18. Commitments and Contingencies

We are involved, and will continue to be involved, in numerous proceedings arising out of the conduct of our business. These proceedings may include claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants. These matters also include numerous putative class action, multi-plaintiff and individual lawsuits, and administrative proceedings involving claims that our owner-operators or contract carriers should be treated as employees, rather than independent contractors (“misclassification claims”). These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest breaks, unreimbursed business expenses, penalties and other items), injunctive relief, or both.

We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We review and adjust accruals for loss contingencies quarterly and as additional information becomes available. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material and an estimate can be made, or disclose that such an estimate cannot be made. The determination as to whether a loss can reasonably be considered to be possible or probable is based on our assessment, together with legal counsel, regarding the ultimate outcome of the matter.

We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We do not believe that the ultimate resolution of any matters to which we are presently a party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

We carry liability and excess umbrella insurance policies that we deem sufficient to cover potential legal claims arising in the normal course of conducting our operations as a transportation company. The liability and excess umbrella insurance policies generally do not cover the misclassification claims described in this note. In the event we are required to satisfy a legal claim outside the scope of the coverage provided by insurance, our financial condition, results of operations or cash flows could be negatively impacted.

### *Intermodal Drayage Classification Claims*

Certain of our intermodal drayage subsidiaries are defendants in class action litigations brought by independent contract carriers in California who contracted with these subsidiaries. In these cases, the contract carriers assert that they should be classified as employees, rather than independent contractors. In two related cases pending in Federal District Court in Los Angeles, *Alvarez v. XPO Logistics Cartage, LLC* and *Arrellano v. XPO Port Services, Inc.*, the Court has certified classes beginning in April 2016 and March 2013, respectively. Plaintiffs allege that defendants exercised an impermissible degree of control over plaintiffs’ operations through the terms of the parties’ contracts and defendants’ policies, including enforcement of requirements imposed on motor carriers by state and federal law. The particular claims asserted vary from case to case but generally include claims that, should the contract carriers be determined to be employees, they would be entitled to reimbursement for unpaid wages and/or minimum wage, unpaid wages for missed meal and rest periods, reimbursement of certain of the contract carriers’ business expenses (including fuel and insurance related costs), Labor Code penalties under California’s Private Attorneys General Act, and attorneys’ fees and costs associated with bringing the action. Defendants mounted a vigorous defense on the merits of plaintiffs’ claims, including as to whether the plaintiffs met the applicable test for the threshold issue of employment classification. Trial in both cases was scheduled to begin September 7, 2021.

In August 2021, the parties held a mediation at which a tentative settlement was reached in both actions. Subject to the Court’s approval, we have agreed to pay the plaintiff class in the Alvarez case a total of \$20 million, which includes all attorneys’ fees and other costs. We have agreed to pay the plaintiff class in the Arrellano case a total of

\$9.5 million, which includes all attorneys' fees and other costs. We accrued for both settlements in the third quarter of 2021. Under the terms of both settlement agreements, we do not have to reclassify our contractors as employees and the plaintiff classes have agreed to release us from all liability from the inception of each respective class period through December 31, 2021. All parties involved have agreed to dismiss all claims and counterclaims with prejudice, and the settlement agreements do not contain any admission of liability, wrongdoing or responsibility by any of the parties. The Court granted preliminary approval of the settlements on October 8, 2021, and pursuant to the settlement agreements, the company provided the settlement funds to the third-party class administrators in December 2021. On January 10, 2022, following a hearing, the Court granted final approval of the settlements. Plaintiffs' motions for attorneys' fees and incentive awards have been taken under submission, so final judgment has not yet been entered, but the company currently expects distribution of funds to class members to occur in the first half of 2022.

#### *Shareholder Litigation*

On December 14, 2018, a putative class action captioned *Labul v. XPO Logistics, Inc. et al.*, was filed in the U.S. District Court for the District of Connecticut against us and some of our current and former executives, alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 20(a) of the Exchange Act, based on alleged material misstatements and omissions in our public filings with the U.S. Securities and Exchange Commission. On June 3, 2019, lead plaintiffs Local 817 IBT Pension Fund, Local 272 Labor-Management Pension Fund, and Local 282 Pension Trust Fund and Local 282 Welfare Trust Fund (together, the "Pension Funds") filed a consolidated class action complaint. Defendants moved to dismiss the consolidated class action complaint on August 2, 2019. On November 4, 2019, the Court dismissed the consolidated class action complaint without prejudice to the filing of an amended complaint. The Pension Funds, on January 3, 2020, filed a first amended consolidated class action complaint against us and a current executive. Defendants moved to dismiss the first amended consolidated class action complaint on March 3, 2020. On March 19, 2021, the Court dismissed the first amended consolidated class action complaint with prejudice and closed the case. On April 29, 2021, the Pension Funds filed a notice of appeal, and the appellate process is ongoing.

Also, on May 13, 2019, Adriana Jez filed a purported shareholder derivative action captioned *Jez v. Jacobs, et al.*, (the "Jez complaint") in the U.S. District Court for the District of Delaware, alleging breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of the Exchange Act against some of our current and former directors and officers, with the company as a nominal defendant. The Jez complaint was later consolidated with similar derivative complaints filed by purported shareholders Erin Candler and Kevin Rose under the caption *In re XPO Logistics, Inc. Derivative Litigation*. On December 12, 2019, the Court ordered plaintiffs to designate an operative complaint or file an amended complaint within 45 days. On January 27, 2020, plaintiffs designated the Jez complaint as the operative complaint in the consolidated cases. Defendants moved to dismiss the operative complaint on February 26, 2020. Rather than file a brief in opposition, on March 27, 2020, plaintiffs moved for leave to file a further amended complaint and to stay briefing on defendants' motions to dismiss. The Court granted plaintiffs' motion on July 6, 2020. On April 14, 2021, the Court issued an order staying proceedings pending resolution of an appeal in the Labul action. Plaintiffs stipulated that they will dismiss the shareholder derivative action with prejudice if the Labul dismissal is affirmed on appeal.

We believe these suits are without merit and we intend to defend the company vigorously. We are unable at this time to determine the amount of the possible loss or range of loss, if any, that we may incur as a result of these matters.

#### *Insurance Contribution Litigation*

In April 2012, Allianz Global Risks US Insurance Company sued eighteen insurance companies in a case captioned *Allianz Global Risks US Ins. Co. v. ACE Property & Casualty Ins. Co., et al.*, Multnomah County Circuit Court (Case No. 1204-04552). Allianz sought contribution on environmental and product liability claims that Allianz agreed to defend and indemnify on behalf of its insured, Daimler Trucks North America ("DTNA"). Defendants had insured Freightliner's assets, which DTNA acquired in 1981. Con-way, Freightliner's former parent company, intervened. We acquired Con-way in 2015. Con-way and Freightliner had self-insured under fronting agreements with defendant insurers ACE, Westport, and General. Under those agreements, Con-way agreed to indemnify the fronting carriers for damages assessed under the fronting policies. Con-way's captive insurer, Centron, was also a

named defendant. After a seven-week jury trial in 2014, the jury found that Con-way and the fronting insurers never intended that the insurers defend or indemnify any claims against Freightliner. In June 2015, Allianz appealed to the Oregon Court of Appeals. In May 2019, the Oregon Court of Appeals upheld the jury verdict. In September 2019, Allianz appealed to the Oregon Supreme Court. In March 2021, the Oregon Supreme Court reversed the jury verdict, holding that it was an error to allow the jury to decide how the parties intended the fronting policies to operate, and also holding that the trial court improperly instructed the jury concerning one of the pollution exclusions at issue. In July of 2021, the matter was remanded to the trial court for further proceedings consistent with the Oregon Supreme Court's decision. There is no date yet set for the next stages of the proceeding. The parties have filed cross-motions for summary judgment concerning the interpretation of certain of the fronting policies, which are yet to be decided. Following summary judgment, we anticipate a jury trial on the pollution exclusion, then a bench trial on allocation of defense costs among the subject insurance policies. We have accrued an immaterial amount for the potential exposure associated with Centron in the bench trial regarding allocation. As any losses that may arise in connection with the fronting policies issued by defendant insurers ACE, Westport, and General are not reasonably estimable at this time, no liability has been accrued in the accompanying consolidated financial statements for those potential exposures.

### 19. Quarterly Financial Data (Unaudited)

Our unaudited results of operations for each of the quarters in the years ended December 31, 2021 and 2020 are summarized below:

<i>(In millions, except per share data)</i>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter <sup>(2)</sup></b>	<b>Fourth Quarter</b>
<b>2021</b>				
Revenue	\$ 2,989	\$ 3,186	\$ 3,270	\$ 3,361
Operating income	139	191	112	174
Income from continuing operations	63	113	21	126
Income (loss) from discontinued operations, net of taxes	55	45	(78)	(4)
Net income (loss)	118	158	(57)	122
Net income (loss) attributable to common shareholders: <sup>(1)</sup>				
Continuing operations	63	113	21	126
Discontinued operations	52	43	(78)	(4)
Net income (loss) attributable to common shareholders	115	156	(57)	122
Basic earnings (loss) per share: <sup>(1)</sup>				
Continuing operations	0.59	1.01	0.19	1.09
Discontinued operations	0.49	0.38	(0.69)	(0.03)
Basic earnings (loss) per share attributable to common shareholders	1.08	1.39	(0.50)	1.06
Diluted earnings (loss) per share: <sup>(1)</sup>				
Continuing operations	0.56	1.00	0.19	1.08
Discontinued operations	0.46	0.38	(0.68)	(0.03)
Diluted earnings (loss) per share attributable to common shareholders	1.02	1.38	(0.49)	1.05

(1) The sum of the quarterly Net income (loss) attributable to common shareholders and earnings (loss) per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods and because losses are not allocated to the Series A Preferred Stock in calculating earnings (loss) per share.

(2) The third quarter of 2021 included a litigation settlement charge of \$29 million.

<i>(In millions, except per share data)</i>	<b>First Quarter</b> <sup>(2)</sup>	<b>Second Quarter</b> <sup>(3)</sup>	<b>Third Quarter</b>	<b>Fourth Quarter</b> <sup>(4)</sup>
<b>2020</b>				
Revenue	\$ 2,459	\$ 2,127	\$ 2,675	\$ 2,938
Operating income (loss)	38	(101)	138	153
Income (loss) from continuing operations	(9)	(107)	37	66
Income (loss) from discontinued operations, net of taxes	34	(27)	61	62
Net income (loss)	25	(134)	98	128
Net income (loss) attributable to common shareholders: <sup>(1)</sup>				
Continuing operations	(11)	(105)	28	34
Discontinued operations	32	(27)	56	59
Net income (loss) attributable to common shareholders	21	(132)	84	93
Basic earnings (loss) per share: <sup>(1)</sup>				
Continuing operations	(0.11)	(1.16)	0.30	0.37
Discontinued operations	0.34	(0.29)	0.63	0.64
Basic earnings (loss) per share attributable to common shareholders	0.23	(1.45)	0.93	1.01
Diluted earnings (loss) per share: <sup>(1)</sup>				
Continuing operations	(0.11)	(1.16)	0.27	0.33
Discontinued operations	0.34	(0.29)	0.56	0.58
Diluted earnings (loss) per share attributable to common shareholders	0.23	(1.45)	0.83	0.91

(1) The sum of the quarterly Net income (loss) attributable to common shareholders and earnings (loss) per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods and because losses are not allocated to the Series A Preferred Stock in calculating earnings (loss) per share.

(2) The first quarter of 2020 included transaction and integration costs of \$37 million.

(3) The second quarter of 2020 included transaction and integration costs of \$29 million and restructuring costs of \$28 million.

(4) The fourth quarter of 2020 included a \$22 million, or \$0.22 per diluted share from continuing operations, preferred stock conversion charge that reduced income attributable to common shareholders from continuing operations for earnings per share purposes, but did not affect net income, associated with the December 2020 conversion of our preferred stock.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our chief executive officer (“CEO”) and chief financial officer (“CFO”), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2021. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2021, such that the information required to be included in our SEC reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to XPO, including our consolidated subsidiaries; and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

**Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2021.

KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report, has issued an audit report, which is included elsewhere within this Annual Report, on the effectiveness of our internal control over financial reporting.

**Changes in Internal Control Over Financial Reporting**

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

On February 15, 2022, the Compensation Committee of the Board of Directors of XPO approved an amendment to the terms of the performance-based stock unit awards (“PSU Awards”) held by Brad Jacobs, Mario Harik, and Troy Cooper (collectively, the “Executives”).

The amendment modifies the clause of the change of control definition applicable to the PSU Awards that is triggered based on eligible transfers of assets with a minimum value or businesses or business lines representing a minimum amount of revenue (i) to increase the applicable transaction thresholds for value of assets and amount of revenue, respectively, from 50% to 75%, in each case, compared to the total asset value on a prior measurement date or total revenue during a prior measurement period and (ii) to clarify that an eligible transfer for purposes of this clause only applies to a transaction or series of transactions with respect to an entire business or business line of XPO, provided that the distribution of 80% or more of the common stock of a subsidiary of XPO that holds an entire business or business line will be included as an eligible transfer.

Each Executive entered into a letter agreement with XPO documenting the terms of the amendment. The foregoing summary of the amendments does not purport to be complete and is qualified in its entirety by reference to the full text of the letter agreements, the form of which is filed with this Annual Report as Exhibit 10.17 and is incorporated herein by reference.

**ITEM 9C.      *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION***

Not applicable.

**PART III**

**ITEM 10.      *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is provided under Item 1, “Business” of Part I of this Annual Report) will be set forth in our definitive Proxy Statement for the 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

We have adopted a Code of Business Ethics (the “Code”), which is applicable to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. The Code is available on our website at [www.xpo.com](http://www.xpo.com), under the heading “Corporate Governance” within the “Investors” tab. In the event that we amend or waive any of the provisions of the Code that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our website at the web address specified above.

**ITEM 11.      *EXECUTIVE COMPENSATION***

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

**ITEM 12.      *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

The information required by Item 12 of Part III of Form 10-K, including information regarding security ownership of certain beneficial owners and management and information regarding securities authorized for issuance under equity compensation plans, will be set forth in our Proxy Statement for the 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

**ITEM 13.      *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE***

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

**ITEM 14.      *PRINCIPAL ACCOUNTANT FEES AND SERVICES***

Our independent registered public accounting firm is KPMG LLP, Stamford, CT, Auditor ID: 185.

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2022 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV

### Item 15. *EXHIBIT AND FINANCIAL STATEMENT SCHEDULES*

#### Financial Statements and Financial Statement Schedules

The list of Consolidated Financial Statements provided in the Index to Consolidated Financial Statements is incorporated herein by reference. Such Consolidated Financial Statements are filed as part of this Annual Report. All financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the Consolidated Financial Statements and notes thereto.

#### Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Investment Agreement, dated June 13, 2011, by and among Jacobs Private Equity, LLC (“JPE”), each of the other investors party thereto and the registrant (incorporated herein by reference to Exhibit 2.1 to the registrant’s Current Report on Form 8-K filed with the SEC on June 14, 2011).</u>
2.2	<u>Separation and Distribution Agreement, dated August 1, 2021, by and between the registrant and GXO Logistics, Inc. (incorporated by reference to Exhibit 2.1 to the registrant’s Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of the registrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Annual Report on Form 10-K filed with the SEC on March 27, 2008).</u>
3.2	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 31, 2006 (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the SEC on June 7, 2006).</u>
3.3	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated June 20, 2007 (incorporated herein by reference to Exhibit 3(i) to the registrant’s Quarterly Report on Form 10-Q filed with the SEC on August 14, 2007).</u>
3.4	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 1, 2011 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on September 6, 2011 (the “September 2011 Form 8-K”).</u>
3.5	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 20, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.6	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 8, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on September 8, 2015).</u>
3.7	<u>2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3(ii) to the registrant’s Current Report on Form 8-K/A filed with the SEC on September 14, 2007).</u>
3.8	<u>Text of Amendments to the 2nd Amended and Restated Bylaws of the registrant, adopted May 19, 2015 (incorporated herein by reference to Exhibit 3.2 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.9	<u>Text of Amendment to the 2nd Amended and Restated Bylaws of the registrant, adopted March 14, 2017 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on March 17, 2017).</u>
4.1	<u>Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant, dated September 2, 2011 (incorporated herein by reference to Exhibit 4.1 to the September 2011 Form 8-K).</u>



<u>Exhibit Number</u>	<u>Description</u>
4.2	<u>Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 to the September 2011 Form 8-K).</u>
4.3	<u>Registration Rights Agreement, dated September 2, 2011, by and among JPE, each of the other holders and designated secured lenders party thereto and the registrant (incorporated herein by reference to Exhibit 4.3 to the September 2011 Form 8-K).</u>
4.4	<u>Certificate of Designation of Series B Convertible Perpetual Preferred Stock of the registrant, dated September 16, 2014 (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on September 18, 2014).</u>
4.5	<u>Certificate of Designation of Series C Convertible Perpetual Preferred Stock of the registrant, dated June 3, 2015 (incorporated herein by reference to Exhibit 4.2 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on June 26, 2015).</u>
4.6	<u>Description of Common Stock (incorporated herein by reference to Exhibit 4.9 to the registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2020).</u>
4.7	<u>Indenture, dated August 25, 2016, between the registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>
4.8	<u>Indenture, dated February 22, 2019, by and among the registrant, the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on February 22, 2019).</u>
4.9	<u>Indenture, dated April 28, 2020, between the registrant, the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's current report on Form 8-K filed with the SEC on April 28, 2020).</u>
10.1 +	<u>2011 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit D to Exhibit 2.1 to the registrant's current report on Form 8-K filed with the SEC on June 14, 2011).</u>
10.2 +	<u>Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K filed with the SEC on March 1, 2012).</u>
10.3 +	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K filed with the SEC on March 1, 2012).</u>
10.4 +	<u>Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on April 27, 2012).</u>
10.5 +	<u>Form of Restricted Stock Unit Award Agreement (Amended and Restated 2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on March 20, 2014).</u>
10.6 +	<u>2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on November 21, 2016).</u>
10.7 +	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.17 to registrant's Annual Report on Form 10-K filed with the SEC on February 28, 2017).</u>
10.8 +	<u>Performance-Based Restricted Stock Unit Award Agreement, dated August 9, 2018, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2018).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.9 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2018).</u>
10.10 +	<u>Amendment No. 1 to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex B to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on April 22, 2019).</u>
10.11 +	<u>Form of Performance-Based Restricted Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 1, 2019).</u>
10.12 +	<u>Amendment No. 2 to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex B to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on April 21, 2020).</u>
10.13 +	<u>Form of Cash Long-Term Incentive Award Agreement (incorporated herein by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>
10.14 +	<u>Form of Letter Agreement with Certain Executive Officers (incorporated hereby by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 4, 2021).</u>
10.15 +	<u>Performance-Based Restricted Stock Unit Award Agreement, dated September 8, 2021, between the registrant and Ravi Tulsyan (incorporated by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 3, 2021).</u>
10.16 +*	<u>Form of Bonus Agreement with Certain Executive Officers.</u>
10.17 +*	<u>Form of Letter Agreement with Certain Executive Officers.</u>
10.18 +	<u>Employment Agreement, dated June 5, 2019, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 1, 2019).</u>
10.19 +	<u>Employment Agreement, effective as of February 3, 2020, and Amendment to Employment Agreement, dated April 7, 2020, between the registrant and Kurt M. Rogers (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 5, 2020).</u>
10.20 +	<u>Employment Agreement, effective as of March 2, 2020, between the registrant and David B. Wyshner (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 5, 2020).</u>
10.21 +	<u>Separation Agreement, dated May 4, 2020, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 99.1 to the registrant's current report on Form 8-K filed with the SEC on May 8, 2020).</u>
10.22 +	<u>Employment Agreement, effective as of July 31, 2020, between the registrant and Bradley S. Jacobs. (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>
10.23 +	<u>Employment Agreement, effective as of July 31, 2020, between the registrant and Troy A. Cooper. (incorporated herein by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>
10.24 +	<u>Employment Agreement, effective as of July 31, 2020, between the registrant and Mario A. Harik. (incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.25 +	<u>Offer Letter, dated September 14, 2021, between the registrant and Ravi Tulsyan (incorporated by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 3, 2021).</u>
10.26 +	<u>Change in Control and Severance Agreement, dated September 14, 2021, between the registrant and Ravi Tulsyan (incorporated by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 3, 2021).</u>
10.27 +*	<u>Separation Agreement, dated December 27, 2021, between the registrant and Troy A. Cooper.</u>
10.28	<u>XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Annex A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on November 20, 2017).</u>
10.29	<u>Amendment No. 1, dated December 4, 2018, to the XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K filed with the SEC on February 14, 2019).</u>
10.30	<u>Second Amended and Restated Revolving Loan Credit Agreement, dated October 30, 2015, by and among the registrant and certain subsidiaries signatory thereto, as borrowers, other credit parties signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>
10.31	<u>Amendment No. 1 to Second Amended and Restated Revolving Loan Credit Agreement, dated July 19, 2017, by and among the registrant and certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on July 25, 2017).</u>
10.32	<u>Amendment No. 2 to Second Amended and Restated Revolving Loan Credit Agreement, dated March 22, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 7, 2018).</u>
10.33	<u>Amendment No. 3 to Second Amended and Restated Revolving Loan Credit Agreement, dated April 30, 2019, by and among the registrant, certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 1, 2019).</u>
10.34	<u>Amendment No. 4 to Second Amended and Restated Revolving Loan Credit Agreement, dated April 3, 2020, by and among the registrant, certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding Inc., as agent. (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>
10.35	<u>Amendment No. 5 to Second Amended and Restated Revolving Loan Credit Agreement, dated June 29, 2020, by and among the registrant, certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding Inc., as agent. (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 3, 2020).</u>
10.36	<u>Amendment No. 6 to Second Amended and Restated Revolving Loan Credit Agreement, dated July 30, 2021, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as agent (incorporated by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
10.37	<u>Senior Secured Term Loan Credit Agreement, dated October 30, 2015, by and among the registrant, certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.38	<u>Incremental and Refinancing Amendment (Amendment No. 1 to Senior Secured Term Loan Credit Agreement), dated August 25, 2016, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>
10.39	<u>Refinancing Amendment (Amendment No. 2 to Senior Secured Term Loan Credit Agreement), dated March 10, 2017, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 13, 2017).</u>
10.40	<u>Refinancing Amendment (Amendment No. 3 to Senior Secured Term Loan Credit Agreement), dated February 23, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the SEC on February 26, 2018).</u>
10.41	<u>Amendment No. 4 to Senior Secured Term Loan Credit Agreement, dated March 7, 2019, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2019).</u>
10.42	<u>Incremental Amendment (Amendment No. 5 to Senior Secured Term Loan Credit Agreement), dated March 18, 2019, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 18, 2019).</u>
10.43	<u>Refinancing Amendment (Amendment No. 6 to Senior Secured Term Loan Credit Agreement), dated March 3, 2021, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 3, 2021).</u>
10.44	<u>Transition Services Agreement, dated August 1, 2021, by and between the registrant and GXO Logistics, Inc. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
10.45	<u>Tax Matters Agreement, dated August 1, 2021, by and between the registrant and GXO Logistics, Inc. (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
10.46	<u>Employee Matters Agreement, dated August 1, 2021, by and between the registrant and GXO Logistics, Inc. (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
10.47	<u>Intellectual Property License Agreement, dated July 30, 2021, by and between the registrant and GXO Logistics, Inc. (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the SEC on August 3, 2021).</u>
21 *	<u>Subsidiaries of the registrant.</u>
23 *	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm.</u>
31.1 *	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.</u>
31.2 *	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.</u>

<u>Exhibit Number</u>	<u>Description</u>
32.1**	<u>Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.</u>
32.2**	<u>Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.</u>
101.INS *	Inline XBRL Instance Document.
101.SCH *	Inline XBRL Taxonomy Extension Schema.
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE *	Inline XBRL Taxonomy Extension Presentation Linkbase.
104 *	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).
*	Filed herewith.
**	Furnished herewith.
+	This exhibit is a management contract or compensatory plan or arrangement.

**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, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XPO LOGISTICS, INC.

By: /s/ Brad Jacobs  
 Brad Jacobs  
 (Chairman of the Board of Directors and Chief Executive Officer)

By: /s/ Ravi Tulsyan  
 Ravi Tulsyan  
 (Chief Financial Officer)

February 16, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Brad Jacobs</u> <b>Brad Jacobs</b>	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 16, 2022
<u>/s/ Ravi Tulsyan</u> <b>Ravi Tulsyan</b>	Chief Financial Officer (Principal Financial Officer)	February 16, 2022
<u>/s/ Lance Robinson</u> <b>Lance Robinson</b>	Chief Accounting Officer (Principal Accounting Officer)	February 16, 2022
<u>/s/ AnnaMaria DeSalva</u> <b>AnnaMaria DeSalva</b>	Vice Chairman of the Board of Directors	February 16, 2022
<u>/s/ Michael Jesselson</u> <b>Michael Jesselson</b>	Lead Independent Director	February 16, 2022
<u>/s/ Jason Aiken</u> <b>Jason Aiken</b>	Director	February 16, 2022
<u>/s/ Adrian Kingshott</u> <b>Adrian Kingshott</b>	Director	February 16, 2022
<u>/s/ Mary Kissel</u> <b>Mary Kissel</b>	Director	February 16, 2022
<u>/s/ Allison Landry</u> <b>Allison Landry</b>	Director	February 16, 2022
<u>/s/ Johnny C. Taylor, Jr.</u> <b>Johnny C. Taylor, Jr.</b>	Director	February 16, 2022



#### **BOARD OF DIRECTORS:**

**Brad Jacobs**

Chairman of the Board, XPO Logistics, Inc.

**Jason Aiken**

Senior Vice President and Chief Financial Officer,  
General Dynamics Corporation

**AnnaMaria DeSalva**

Vice Chairman of the Board, XPO Logistics, Inc.;  
Global Chairman and Chief Executive Officer,  
Hill+Knowlton Strategies

**Michael Jesselson**

Lead Independent Director, XPO Logistics, Inc.;  
President and Chief Executive Officer,  
Jesselson Capital Corporation

**Adrian Kingshott**

Managing Director, Spotlight Advisors, LLC

**Mary Kissel**

Executive Vice President and Senior Policy Advisor,  
Stephens Inc.

**Allison Landry**

Former Senior Transportation Research Analyst,  
Credit Suisse

**Johnny C. Taylor, Jr.**

President and Chief Executive Officer,  
Society of Human Resources Management

#### **EXECUTIVE OFFICERS:**

**Brad Jacobs**

Chief Executive Officer

**Ravi Tulsyan**

Chief Financial Officer

**Mario Harik**

Chief Information Officer and  
Acting President, Less-Than-Truckload

#### **COMMON STOCK:**

The company's common stock is traded on NYSE under the symbol "XPO."

#### **COMPANY FINANCIAL INFORMATION:**

Copies of XPO Logistics, Inc.'s financial information such as the Company's Annual Report on Form 10-K as filed with the SEC, quarterly reports on Form 10-Q and Proxy Statement are available at the Company's website at [www.xpo.com](http://www.xpo.com) or by contacting "Investor Relations" at our corporate executive office address.

#### **ANNUAL MEETING OF STOCKHOLDERS:**

The Annual Meeting of Stockholders will be held on May 18, 2022 at 10:00 a.m. Eastern Time as a virtual meeting via webcast. You can access the meeting at [meetnow.global/MRDXLKV](https://meetnow.global/MRDXLKV) with your control number.

#### **CORPORATE EXECUTIVE OFFICE:**

Five American Lane  
Greenwich, CT 06831  
Tel. (855) 976-6951

#### **TRANSFER AGENT:**

Computershare Trust Company, N.A.  
Tel. (877) 581-5548  
[www.computershare.com/investor](http://www.computershare.com/investor)

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:**

KPMG LLP, Stamford, CT



**XPO Logistics, Inc.**

Five American Lane

Greenwich, CT 06831 USA

[xpo.com](http://xpo.com)