

Our Approach to ESG

Materiality

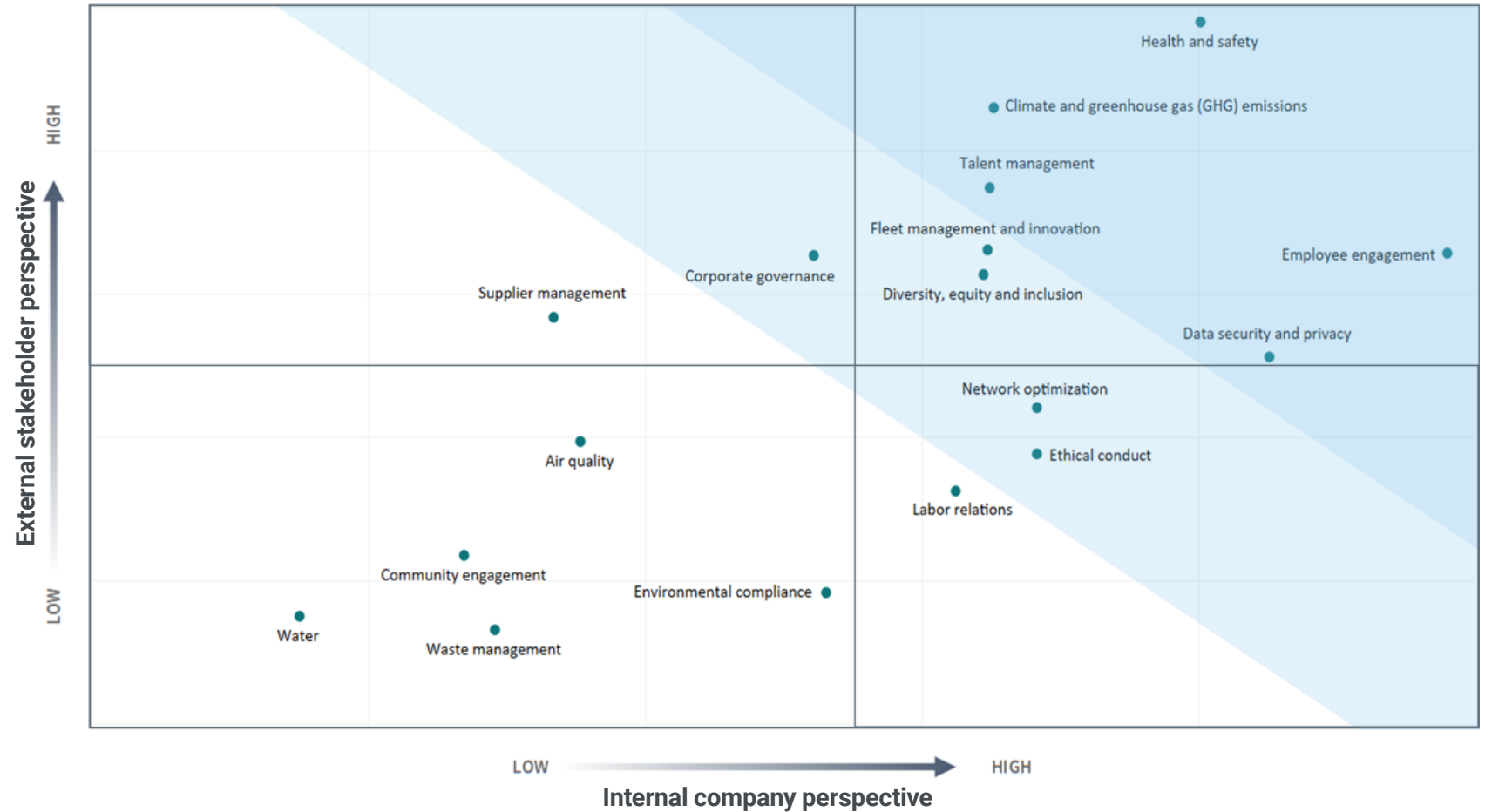
At XPO, we believe sustainability makes good business sense. We listen carefully to the expectations of our stakeholders and embed sustainability criteria in our operations, governance and strategy. Together with our employees, customers, suppliers and other stakeholders, we're making a difference in our communities, including by promoting the transition to a low-carbon economy.

In 2022, we updated our materiality matrix, which was originally created in 2018, to capture the issues of highest priority to our company. We partnered with an independent firm to conduct the materiality analysis of the topics most relevant to XPO and our stakeholders. We interviewed members of our executive leadership team, surveyed internal subject matter experts, reviewed inputs from external stakeholders and analyzed opportunities and risks to the business.

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 are in the upper right band: health and safety, employee engagement, climate and greenhouse gas (GHG) emissions, talent management and data security and privacy.

We also recognize a second band of five issues that are important to our company and our stakeholders: 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.

Materiality Matrix



ESG Scorecard Summary



Developed in 2020, our ESG scorecard provides a progressive means of evaluating the management of ESG initiatives. It's also part of our executives' long-term incentive program to encourage them to prioritize our ESG goals. The company commissioned a management consultant to conduct a gap analysis relative to our core peer group so we could better understand 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 XPO Board of Directors' Compensation 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 value, with the majority of targets incorporating progressively higher expectations through 2023. Initiatives are 87% quantitative, with the remainder subject to predetermined hurdles or binary milestones.

The scorecard initiatives encompass a range of material issues at the corporate and business unit levels that are detailed in our 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.

Current and Outstanding Performance Periods¹

ESG CATEGORY	2021	2022	2023 ⁽³⁾
	<i>Weighting of ESG category within each performance period²</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%
(A) Total	100%	100%	100%
(B) Total # of Initiatives	44	41	37
# of Points Awarded Per Initiative (A/B)²	2.3	2.4	2.7

¹ The 2020 performance period is not reflected

² May reflect rounded values

³ 2022 and 2023 weightings and category targets may change as a result of the planned separation of XPO's North American businesses, announced on Mar. 8, 2022.

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

- Achievement is certified by the Committee annually using a scale of 1 – 100, with each target worth a predefined number of points.
- 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., expanding the hiring of women or underrepresented racial/ethnic groups).
- 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.

PRINCIPLES

- 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.
- Initiatives represent an overarching roadmap of deliverables for the company that align with the categories identified in the materiality matrix in this report.
- 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.

ESG Scorecard Summary

CATEGORY / WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS 2023 Year-over-year measurements reflect pro forma adjustments for the spin-off																
Workforce and Talent 2021: 18% 2022: 20% 2023: 22%	<ul style="list-style-type: none"> Maintain employee job satisfaction Maintain a rewarding, high-performance culture 	<ul style="list-style-type: none"> Maintain an average job satisfaction score of at least 7 out of 10 in companywide and hourly engagement surveys for each performance period Maintain an annualized voluntary turnover rate of no more than 10% for LTL drivers (excluding retirees) for each performance period 																
Employee and Community Safety 2021: 27% 2022: 27% 2023: 22%	<ul style="list-style-type: none"> Provide employee health, safety and financial protection (including during the COVID-19 pandemic) Maintain a safe workplace Encourage accident and injury prevention 	<ul style="list-style-type: none"> Improve DOT-recordable preventable accident frequency in both Managed Transportation (MT) and LTL <table border="1" data-bbox="666 678 1300 873"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>0.65 (MT) / 0.68 (LTL) DOT-reportable preventable accidents per one million miles</td> <td>3% (MT) / 2% (LTL) improvement over prior year</td> <td>3% (MT) / 2% (LTL) improvement over prior year</td> <td>3% (MT) improvement over prior year</td> </tr> </tbody> </table> Improve rate of lost workdays as a proportion of hours worked in LTL <table border="1" data-bbox="666 954 1300 1107"> <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	0.65 (MT) / 0.68 (LTL) DOT-reportable preventable accidents per one million miles	3% (MT) / 2% (LTL) improvement over prior year	3% (MT) / 2% (LTL) improvement over prior year	3% (MT) 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	-
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CATEGORY / WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS 2023 Year-over-year measurements reflect pro forma adjustments for the spin-off								
Diversity, Equity and Inclusion 2021: 21% 2022: 17% 2023: 19%	<ul style="list-style-type: none"> Attract, retain and develop a diverse and inclusive workforce Build sustained diversity, equity and inclusion functions, with impactful programs and measurable actions 	<ul style="list-style-type: none"> Increase the rate of women and underrepresented racial/ethnic groups promoted to managerial positions, with separate targets for each group <table border="1" data-bbox="1919 526 2553 672"> <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> Maintain an annualized percentage of diverse US employee hires at 50% (2021 and 2022 performance periods) and at least 55% (starting in the 2023 performance period) Maintain an annualized percentage of diverse XPO Graduate Program global hires of at least 50% (2021, 2022 and 2023 performance periods) 	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							
Information Security 2021: 11% 2022: 12% 2023: 14%	<ul style="list-style-type: none"> Safeguard confidential customer and employee information; protect against external threats 	<ul style="list-style-type: none"> Target a mean time to resolve (MTTR) below industry average of 1.73 days (2021 performance period) 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 								

ESG Scorecard Summary

CATEGORY / WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS 2023 Year-over-year measurements reflect pro forma adjustments for the spin-off								
<p>Environment and Sustainability</p> <p>2021: 18%</p> <p>2022: 20%</p> <p>2023: 16%</p>	<ul style="list-style-type: none"> Reduce fossil fuel dependency Reduce carbon emissions and carbon footprint Reduce nitrogen oxide emissions Reduce waste 	<ul style="list-style-type: none"> Improvement in fuel efficiency in Managed Transportation <table border="1" data-bbox="666 456 1311 589"> <thead> <tr> <th>2020</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Average 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> Reduce LTL carbon emissions by increasing the load factor rate by at least 1.5% over the prior year (2021 performance period) Establish a European Sustainability Steering Committee (2020 performance period) * <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, using a 2019 baseline</p>	2020	2021	2022	2023	Average 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							
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<p>Governance</p> <p>2021: 5%</p> <p>2022: 5%</p> <p>2023: 8%</p>	<ul style="list-style-type: none"> Maintain compliance with federal, state and local laws 	<ul style="list-style-type: none"> Completion rate of at least 85% for all mandatory and assigned compliance training courses (for each performance period) 								

