



Corporate Social Responsibility Report – 2018



XPO LOGISTICS EUROPE

Société anonyme à Directoire et Conseil de Surveillance au capital de 19 672 482 €
Siège social : 192 avenue Thiers, 69006 Lyon

309 645 539 RCS Lyon

Corporate social responsibility report

SOCIAL RESPONSIBILITY AT XPO LOGISTICS EUROPE: TANGIBLE COMMITMENTS AND PERFORMANCE

XPO Logistics Europe (our “company”) is fully committed to continuously improving its Corporate Social Responsibility (CSR) performance, both as the most ethical way to conduct business and as the best strategy for sustainable growth. We recognize that sound CSR practices lead to operational efficiencies, innovative thinking, colleague satisfaction and other qualities that support enduring profitability.

Our CSR priorities are incorporated into our daily operations in ways that reflect our company values – safe, respectful, entrepreneurial, innovation and inclusive. In addition, our business development objectives are closely intertwined with our commitment to minimize impact on the environment, while benefiting society. XPO focuses on three main areas to achieve this: integrity and employee engagement, safety and environmental stewardship.

- **Integrity matters – we foster a culture of respect and equal opportunity in the workplace and in our collaboration with business partners.**

Our actions are the true measure of our integrity, and the reason why our customers, employees and investors put their faith in us. We know that the best way to guarantee our success and the success of our stakeholders is to perform to the highest standards of business conduct – not just with large projects, but in the small ways we interact daily.

Our greatest strength as a company, and the bedrock of our organization, are our people. XPO is nimble and innovative because we have curious, collaborative people who want to grow in their abilities and help our customers succeed. Whether it’s through rethinking our business processes or volunteering for charitable causes, we’re at our best when each of us seeks to better the lives of those around us. This drive for collective progress connects our team worldwide as One XPO.

We strive to do business the right way, for our people, our business partners and all our communities. We foster employee and customer engagement, welcome partnerships with suppliers that share our values, sponsor community initiatives and constantly seek out new ways to enhance the safety of our workplaces.

- **Road to Zero – we actively work toward a goal of a zero-accident rate among all XPO sites and all business activities.**

At XPO, our strong record on safety is the result of our company-wide culture. We’re a team that looks out for each other, our communities and our environment. By committing to safety, we create a rewarding work environment and deliver outstanding results for our customers.

One of the ways that XPO instills safety awareness is by empowering colleagues on the front lines through education, mentoring and guidance at all levels. The result is a multi-layered safety infrastructure that contributes to a shared sense of responsibility. We’re continuing to work across the organization to ensure that common reporting processes and KPIs are leveraged for the greatest possible insights, and that best practices are incorporated into our workplaces.

- **Sustainability matters – we strive to minimize the environmental impact of our operations in every way we can.**

Our industry is essential in facilitating global trade and the efficient exchange of goods. We are aware that our industry is a contributor to climate change through the use of fossil fuels and other energy resources, and by waste generation. We therefore have a longstanding commitment to improving the impact of our operations on the environment, especially with regards to climate change, greenhouse gas emissions and biodiversity.

It is important to us that we measure and track progress on each of these three priorities. While we have common policies in place at the European level, additionally, each XPO business unit follows assessment procedures that include dedicated reporting and frequent performance audits carried out locally under the responsibility of the unit's own Quality, Health, Safety and Environmental (QHSE) department. Our QHSE "headcount" in Europe is the equivalent of 221 full-time employees, reflecting individuals who each devote part of their work responsibilities to QHSE.

XPO Logistics Europe's CSR performance has been evaluated by EcoVadis since 2011. Performance is evaluated on the basis of "Transport and Storage" industry guidelines, according to the following criteria: environmental impact, business ethics, supplier management and social impact. Our 2018 Ecovadis performance level is Silver.

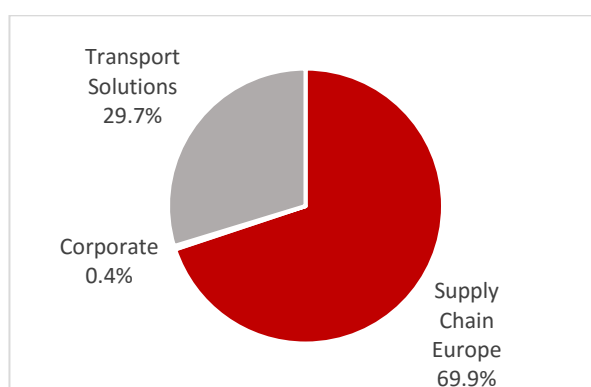
“INTEGRITY MATTERS” – WE FOSTER A CULTURE OF RESPECT AND EQUAL OPPORTUNITY IN THE WORKPLACE AND IN OUR COLLABORATION WITH BUSINESS PARTNERS.

a) Headcount

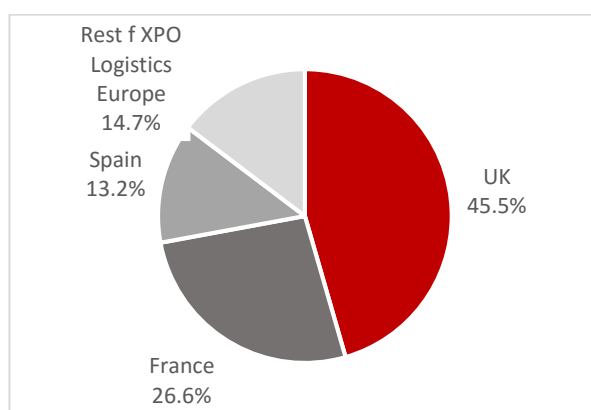
Total headcount for XPO Logistics Europe as of December 31, 2018 was 50,301 employees (including all temporary and permanent employees and paid interns, but excluding agency staff), most of whom are based in Europe. Our Supply Chain operations employ the most staff (70%). In terms of regional breakdown, the UK has the largest number of employees and, together with France, accounts for 72% of headcount.

Headcount was up 7.2% over year-end 2017, mainly due to growth in Supply Chain.

HEADCOUNT BREAKDOWN PER BUSINESS AS OF DECEMBER 31, 2018



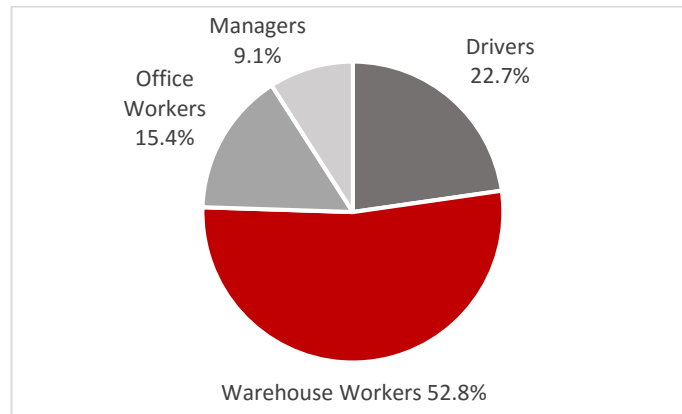
HEADCOUNT BREAKDOWN PER REGION AS OF DECEMBER 31, 2018



“Rest of XPO Logistics Europe” includes other European countries where the company operates, including Poland, Romania, Italy and the Netherlands, as well as other non-European countries, including Russia and China.

Over two-thirds of the company’s employees are employed as warehouse staff (52.8%) or as drivers (22.7%). The percentage of managerial staff is 9.3%, reflecting a flat managerial structure in operations.

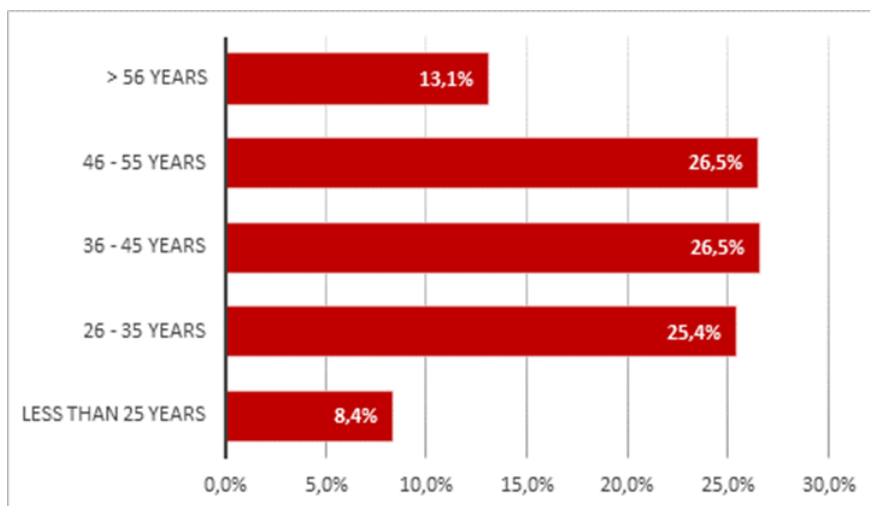
2018 HEADCOUNT BREAKDOWN BY PROFESSIONAL CATEGORY



90.3% of employees work under permanent, full-time employment contracts.

The average age of employees is 40 years 11 months – slightly higher in Transport Solutions (44 years).

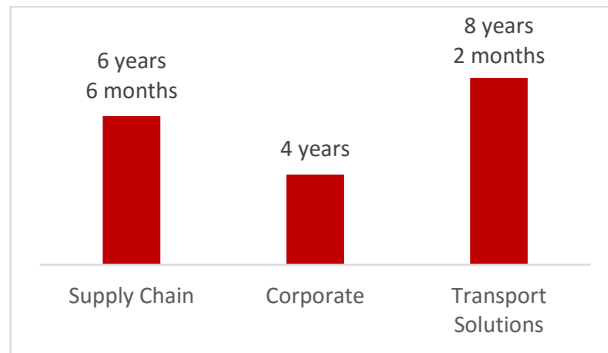
HEADCOUNT BREAKDOWN BY AGE RANGE



b) Employee motivation

We take great pride in attracting and retaining the best talent in our industry. The average length of service is 6 years 11 months – slightly higher in Transport Solutions (8 years) and much higher in France (10 years 1 month), which is mainly due to our longstanding operations in France.

AVERAGE STAFF LENGTH OF SERVICE BY BUSINESS UNIT (IN YEARS)



We're proud to have been rated by employment website Glassdoor as the one of the top three "Best Organizations to Work For" in the UK in 2018, up from 28th in 2017.

- **Active listening policy**

XPO's management style is based on active listening. We have an open-door policy that encourages all employees to contribute ideas and voice concerns. We want to arrive at creative solutions together, and we're successful in this approach because we welcome diverse points of view.

We have many different mechanisms in place to ensure that we understand what's important to our employees. We implement quarterly global employee surveys, conduct roundtable discussions and hold town hall meetings that give our directors and executives a chance to hear from employees firsthand. Our CEO is active in communications throughout the year: through email groups, within our Workplace virtual community, at physical sites around our network. The feedback from all channels is taken seriously and codified, so that management can be as responsive as possible.

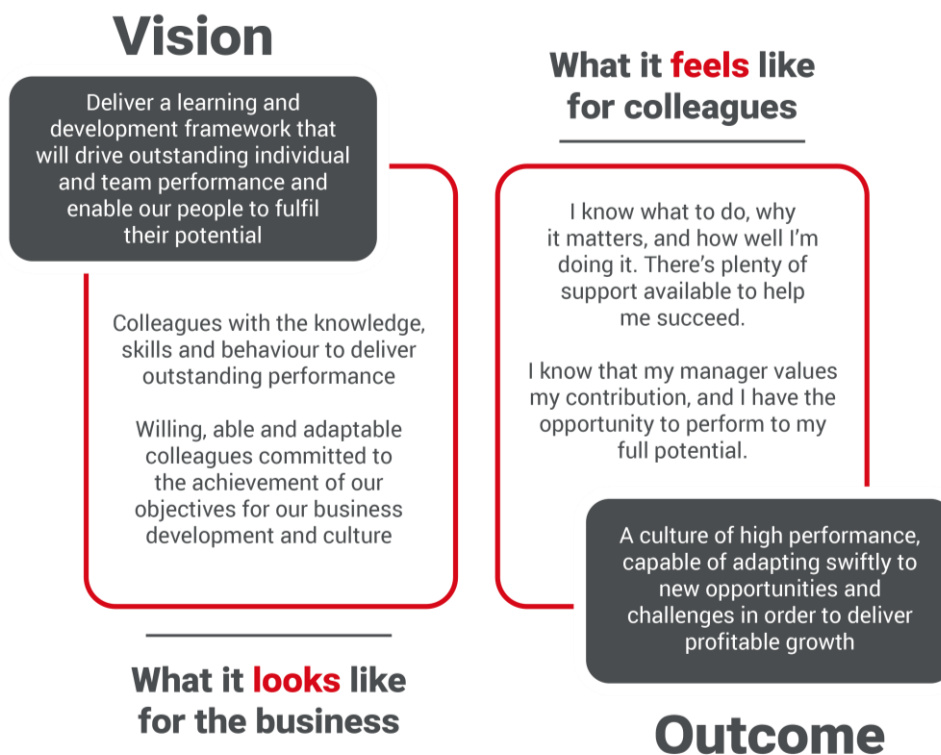
We regularly conduct in-country satisfaction surveys, such as those carried out in 2018 in France, Italy and the Netherlands. These complement our quarterly global employee survey. Many of our teams put great effort into translating the engagement survey feedback into concrete actions. For example, a workshop was held for sites in France following the survey, to share the results and build action plans for local implementations. Another excellent example is in Italy, where the survey had a 72% participation rate. Focus groups were arranged to share their firsthand feedback, and their suggestions were shared directly with management late in 2018. One of these ideas was the formation of Development Action Groups, made up of representatives from across our Italian network, to generate ideas and put into action on an ongoing basis.

- **Learning and development**

XPO's culture is based on embracing positive change. Our training and development programs provide employees at all levels with opportunities to increase their skills and propel their careers.

As a service provider, we know that our greatest advantage lies in continually developing the skills of our staff. The mission statement of XPO's learning and development team is to develop a culture of high performance, capable of adapting swiftly to new opportunities and challenges in order to deliver profitable growth.

Our vision for what this looks and feels like is set out below:



The attention we pay to developing talent, embedding our values and executing our growth strategy are all positive measures that help to retain staff.

In 2018, 1,036,357 hours of training were provided to staff of XPO Logistics Europe (vs. 817,069 hours in 2017). We spent € 23.2 million on training, representing approximately 1% of total staff costs. Each employee received an average of 21 hours of training during 2018.

NUMBER OF TRAINING HOURS PER EMPLOYEE BY JOB CATEGORY



In 2018, a number of successful learning and development initiatives were deployed, including:

- XPO University: Our e-learning platform went live in the UK in 2018, enabling employees to do online training. We will add a function for workers to enroll in classroom training through XPO University, and deploy the platform in the rest of Europe in 2019.
- XPO Graduate Program: We're proud to have hired over 85 talented young people in 2018, bringing the total hired through this programme to more than 240 graduates across Europe since 2005.
- XPO Management Program: A total of 4,045 managers have taken part in the program since it launched in 2010. The content is constantly evolving to adapt to XPO's values and the needs of site leadership.
- E-learning: In 2018, innovative e-learning modules on each of our lines of business were rolled out to over 150 XPO salespeople in the UK, France and Spain.
- Sales Development Program: This program enabled over 130 sales professionals in our Transport Solutions operations in France to be trained in the "Persuasive Selling Model" (PSM) in 2018. Our Sales Development Program provides our sales teams with structured coaching on pipeline management, key opportunities and customer interaction.

- **Pay policy**

XPO's pay policy reflects different pay practices appropriate to the various markets and industries where the company operates. The average 2018 pay rise was 2.1% , with variances between business units due to features of the specific markets.

- **Inclusion policy**

The company's inclusion policy promotes diversity, the elimination of discrimination in respect to employment and occupation and the elimination of forced labor as well as child labor.

Employment and support for differently abled workers

The company's employment and support of differently abled people is covered by specific policies related to each country and business unit involved. In 2018, Supply Chain France employed 278 employees who are RQTH-certified (Recognition of the Quality of a Disabled Worker) in accordance with French regulations.

In Supply Chain in France, our employment practices are governed in part by an agreement signed with staff representatives, including the following pledges:

- Increase recruitment and training of differently abled individuals, to improve retention and access to jobs;
- Develop training courses and internships and increase the use of companies operating in the French protected sector, as well as temporary disabled staff, by working with relevant agencies;
- Help employees obtain RQTH certification and provide support to differently abled staff at their workstations and in the company at large; and
- Strive to retain differently abled people in employment.

Additionally, in France, XPO has partnered with Ares to set up a social initiative in the form of a joint venture named Log'ins. Initially hosted in 2011 at the XPO facility at Coudray-Montceaux (Essonne), Log'ins has had its own 8,000m² logistics facility at Villabé (Essonne) since 2016 in addition to branches at certain XPO locations in the Auvergne-Rhône-Alpes region (Saint-Vulbas, Ain, since May 2016; Satolas-et-Bonce, Isère, since 2017).

Log'ins provides logistics training to differently abled and unqualified workers. The goal is to enable them to obtain employment with social aid for housing, access to healthcare, mobility, etc., as well as professional support. In 2018, Log'ins had 60 people in its inclusion programs supported by 18 supervisors in the Ile-de-France region and 53 people supported by nine supervisors in Auvergne-Rhône-Alpes.

In different European countries, XPO develops local initiatives and, in particular, supports a number of associations through certain sites in the UK. These include REMPLLOY, an organization that provides employment support for differently abled people, and Workfit, an organization that connects employers with individuals with Down syndrome, allowing them to be productive in a work environment.

Gender equality

Women account for 25.9% of total company headcount, which is higher than the industry average.

PERCENTAGE OF WOMEN BY JOB CATEGORY AND BUSINESS UNIT

	TRANSPORT SOLUTIONS	SUPPLY CHAIN EUROPE	CORPORATE
Drivers	1.6%	0.9%	
Manual workers	8.8%	30.3%	
Employees	55.1%	47.3%	75.6%
Managers	30.7%	28.0%	47.9%

- **Staff turnover and absenteeism**

In 2018, 15,846 new employees were hired across XPO Logistics Europe's operations.

Total staff turnover was 26.3% (vs. 26.2% in 2017), including 13.7% voluntary leavers and 12.6% compulsory leavers. The reasons for compulsory leavers include dismissal by XPO during the trial period, redundancy, an expired or non-renewed temporary employment contract, retirement, death or work disability.

Total staff turnover measures employees who left the company, voluntarily or otherwise, between January 1 and December 31 as a percentage of total headcount.

The rate of absenteeism was 5% in 2018 (vs. 4.9% in 2017), lower than the overall rate for the services sector and the transport industry in particular. The absenteeism rate in our logistics activities (4.9%) is slightly lower than in our transport activities (5.3%).

c) Employee relations

As of December 31, 2018, 68.3% of XPO Logistics Europe's employees were covered by a collective bargaining or similar agreement. The company is not yet able to report specifically on collective agreements signed in 2018. Although there is currently no tracking system in

place at the pan-European level, the company is looking into the possibility of introducing such a system.

Differences in collective bargaining coverage rates primarily arise from differences in labor relations practices between countries.

In 2018, 378 negotiations were held with staff representatives, resulting in 221 agreements being signed with regard to mandatory annual negotiations, profit sharing or pre-electoral agreements.

PERCENTAGE OF STAFF COVERED BY A COLLECTIVE BARGAINING AND/OR SIMILAR AGREEMENT

87.5% Transport Solutions
60.2% Supply Chain Europe
54.7% Corporate

d) Community partnerships and sponsorships

We strive to be a good neighbor within our local communities by making meaningful contributions.

In 2018, some of our local initiatives included:

- Toy drive in France: XPO employees collected more than 1,000 toys and books in partnership with our less-than-truckload transport agencies. XPO donated the items, as well as trucking and pallet distribution services, to Emmaüs, which combats poverty and exclusion in France.
- Food drive in the UK: XPO teams supported the Trussell Trust through donations, fundraising and volunteerism as part of our United In Giving annual campaign. For the 2018 holiday season, over 7,500 employees spearheaded a food drive that stocked 34 food banks with more than four tons of food. Since launching United In Giving in 2015, XPO has donated the equivalent of over 30,000 meals for people in crisis.
- Food drive in Spain: XPO employees collected more than 4.5 tons of food donations for the NGO Bancos de Alimentos, a food bank that works with a network of community organizations to help those most in need.
- Mission in Uganda: In 2018, one of our colleagues represented XPO in Uganda for six months, supporting Transaid work in sub-Saharan Africa to help the local government combat transport challenges, including road safety and the transportation of medicines to and from remote communities and medical centers.

We have a long-term partnership with Transaid, a charity founded in 1980 and based in the UK. The charity implements transport solutions to improve access to basic services and economic opportunity for disadvantaged communities in developing countries. Transaid is supported by Save the Children and The Chartered Institute of Logistics and Transport and its patron is The Princess Anne. As part of this partnership, XPO donates funds for Transaid operations every year; is an active member of the “Professional Driver Training Project Consortium” designed to improve training of professional drivers and promote road safety in sub-Saharan Africa; and contributes to the organization’s fund-raising efforts.

e) Business ethics

As a responsible corporate citizen, XPO has developed a Code of Business Ethics entitled Integrity Matters, which aims to guide employee conduct in daily operations, including ethical behavior and decision-making and compliance with statutory and organizational rules.

Our Code of Business Ethics underpins our commitment to do business the right way and pays particular attention to integrity and equal opportunity in the workplace. It specifically includes policies related to anti-corruption, antitrust and fair competition, delegation of authority, data protection, no discrimination, bullying, harassment or retaliation, and trade compliance. The Code is promoted internally by a dedicated Compliance team who ensure that all employees receive, understand and abide by the Code, and participate in the related training program.

Our Code also covers the protection of company data and personal information. XPO takes its data management responsibilities seriously. Following a business-wide Awareness Risk and Readiness Assessment carried out in 2017, a dedicated team of cross-functional stakeholders have been working with external consultants to ensure that appropriate measures are in place to comply with the EU General Data Protection Regulation (GDPR).

Furthermore, XPO is committed to doing business with integrity and in full compliance with applicable laws.

On the one hand, in combating tax evasion, we apply a fiscal policy which consists in:

- complying with all laws and prevailing international tax agreements;
- paying the right amount of tax around the world;
- applying tax choices which correspond to the economic substance of its activities;
- adopting a responsible approach with the tax authorities.

On the other hand, we only do business with third parties who make the same commitment we do to being truthful, honest and ethical in business dealings, and to abide by all applicable laws and regulations. We've developed several due diligence initiatives related to this commitment; they vary according to the country in which they apply and according to the categories of partners. We pay particular attention to our transport subcontractors and to the agency partners who supply certain of our workers.

In 2018, XPO Logistics Europe subcontracted 54.8% of its transport operations. The high level of subcontracting in transport arises from capacity needs that cannot be covered by the company's own fleet, for example during business peaks or when there is a need for specialist equipment. Subcontracting is increasing as the result of growth.

The selection of subcontractors is a major focus for our company and we work to ensure that each subcontractor complies with our Code of Business Ethics and other legal requirements.

We apply very specific internal guidelines, which range from discussing our ethical mandates to confirming that our subcontractors have all necessary professional certifications. Any new Transport Solutions subcontractor must sign the Subcontracting Charter and fulfill the requirements set out in the company's general purchasing terms and conditions; this defines the quality and safety commitments with which the subcontractor must comply.

Additionally, Transport Solutions has developed an approved Transport Subcontractor Database, which involves staff priority use of previously approved, classified and monitored suppliers. This process facilitates the ongoing compliance of our approved subcontractors, which includes, for example, carrying out occasional audits on subcontractors.

Pursuant to French Vigilance Law no. 2017-399, XPO Logistics Europe developed a Vigilance Plan in 2017 to implement practices and procedures preventing serious infringements regarding human rights and fundamental freedoms, and the health and safety of individuals and the environment, resulting from company operations and operations of companies under direct or indirect company control, as well as operations of subcontractors or suppliers with whom an established commercial relationship is maintained, when these activities are performed in the context of this relationship.

Our Vigilance Plan for 2017-2019 lists the measures that we have already implemented, and those we intend to implement, to satisfy the requirements of the Act. Specifically:

- **Risk mapping to identify, analyze and classify risks** – XPO currently identifies and monitors risks through its Risk Committee, which meets quarterly.
 - We pay particular attention to the human rights of all our employees, providing them with fair and safe working conditions and preventing discrimination in the workplace. We are also diligent about the human rights of others: in the last three years, we have implemented specific procedures and training programs to help our drivers deal with the migrant crisis, so they remain safe and exhibit the right behaviors.
 - Health and safety of individuals is already a core pillar of our CSR approach, and our goal in this area is clearly stated in our Road to Zero approach. We share our health and safety standards with our suppliers and subcontractors, and we track their specific performance. Our Transport Subcontractors database helps us monitor our partners' safety performance by blacklisting unsafe partners and prohibiting our teams from contracting new business with them. In 2018, we updated our vehicle and manual handling equipment requirements in order to better reflect our safety requirements.
 - We are aware of our main environmental risks and responsibility as a business, and we challenge truck manufacturers and fuel providers on at least a yearly basis to perform better in terms of alternative fuels and vehicles. Transport subcontractors are at very different levels of maturity in terms of improving environmental impacts, depending on their company culture and local context.
- **Implementation of regular assessment procedures on subsidiaries, subcontractors or suppliers with whom we have an established commercial relationship for the purpose of risk mapping** – In our UK operations, we have a due diligence process for new suppliers that includes prevention of slavery and human trafficking, improvement of security and mitigation of health and environmental concerns, in addition to our basic compliance standards. In 2018, we tested a new process to evaluate the CSR performance of our suppliers on two tenders.
- **Implementation of measures to mitigate risks or prevent serious infringement** – XPO has already implemented various initiatives with regard to human rights and fundamental freedoms, health and safety, and the environment. In 2018, we updated our Subcontracting Charter to highlight our requirements for ethical behavior and with respect to human rights. The new version of the Charter was prominently displayed on the home page of our Transport Subcontractors database and will be signed by all transport partners by the end of 2019.
- **Implementation of an alert mechanism regarding the existence or materialization of risks** – XPO currently has a whistleblowers' hotline as provided

by law. The hotline is available for reporting known or suspected issues to the Compliance department, in the event they require further investigation.

- **Implementation of a mechanism to monitor current measures and assess their effectiveness** – The mission of the Risk Committee is to oversee the implementation and effectiveness of measures taken to ensure human rights and fundamental freedoms, health and safety, and the environment.

The Vigilance Plan has been approved by XPO's senior management and its implementation is monitored quarterly by the company's Risk Committee.

“ROAD TO ZERO” – XPO’S SAFETY-FIRST COLLABORATION

a) Our safety commitment

Our Road to Zero safety program aims to achieve zero occupational incidents, and to ensure emotional security for all XPO colleagues in the workplace. Safety is at the heart of our Quality, Health, Safety, Security and Environment (QHSSE) Policy Statement.

XPO is committed to ensuring safe and healthy workplaces for our employees and minimizing potential impacts on the environment. Our vision is to develop a culture where everyone owns and contributes to quality, health, safety, security and environmental protection within the scope of their responsibilities, at every level. This is reflected in our policy and associated QHSSE management systems.

In order to build a strong safety culture, we first make sure that our executives are strongly committed to QHSSE by educating them on our safety mindset and by enhancing their leadership skills on safety. All of our European executives signed a common safety pledge in July 2018 and safety performance has been set very high on their agendas. In addition to executive leadership, our Road to Zero roadmap also relies on active contributions from site leaders to pave the way for the sharing of best safety practices across all countries.

Ultimately, we aim to engage all employees through a collaborative approach where everyone is able to share their safety tips and ideas. In 2018, we fostered a bottom-up approach to safety, asking for employee suggestions to support our Road to Zero ambition.

Our goal is to improve our XPO Logistics Europe safety performance by 15% in 2019.

Safety is a collective responsibility that we share with our third-party partners. We pay particular attention to screening our transport partners and worker agencies’ performance in this regard, as highlighted in paragraph 5.2.1.

b) Safety management approach

We launched Road to Zero in 2016 in the UK, and the program is now in roll-out across Europe. This initiative encompasses employee training, compliance measures and safety disciplines.

Road to Zero promotes a safety-first culture through initiatives, which are often tailored to specific operations in three main areas of investment:

- Employee training: We invest in accident prevention and safety training that meets or exceeds regulatory requirements.
- Technology: We provide employees with cutting-edge systems and automation to enhance safety and reduce physical labor (i.e. handling technologies such as automated pallet shrink wrapping, back braces, goods-to-person workstations, etc.).
- Policies and procedures: We endeavor to produce standard corporate policies and procedures that address the legislation of individual countries and drive consistent improvement throughout the business.

Within our company, the tailwinds that drive Road to Zero range from grassroots efforts to global initiatives. We fully support local initiatives in this regard, including:

- Safe Driving Plan: Introduced in the 1990s, this comprehensive program provides our drivers with ongoing training in defensive driving techniques and the avoidance of accidents and road hazards. Drivers are required to take the training when they first join XPO, at the six-month mark and every 18 months thereafter.

- Safe Handling Plan: Launched in France in 2015 and deployed in all French warehouses since coming into force, the plan enhances on-site control of risk prevention by setting objectives and measuring performance; the “All Together for Safety” (ESP) plan for workplace safety at our transport sites in France was introduced in 2015. In 2018, there were 10 people earmarked to help prevent work risks and 8,111 preventive actions carried out under the ESP program.

We encourage our transport teams to adopt green driving practices and promote safe behavior via training and community involvement. In 2018, our company continued its partnership with Brake, a UK-based road safety charity, by donating funds and equipment to perform safety demonstrations. XPO also provides resources for Brake to support employees who have suffered or witnessed a road accident. Additionally, we participate in the STARS scheme (School Teaching Awareness in Road Safety) in UK schools with children aged 5 to 11 years old.

In our supply chain operations, we operate logistics warehouses that store hazardous materials, which are classified as “Seveso” warehouses in France and “COMAH” warehouses in the UK. These facilities are subject to special regulations designed to prevent major accidents that result in toxic risks to water or flammable environments. Our company has longstanding experience in logistics for regulated products and our sites comply with the regulations in effect in both countries, including with regard to the implementation of risk prevention plans.

Importantly, we believe that safety is not all about physical safety. In 2018, a Mental Health Awareness program was rolled out in the UK to 436 managers. The program has been designed to raise awareness of mental health issues across our manager population and give them the skills to support colleagues and promote well-being at work.

c) Safety metrics

XPO Logistics Europe monitors safety metrics on a weekly basis.

In late 2017, a new safety reporting methodology was introduced in our European operations to align with UK safety metrics. At that point, we changed our calculation methods for severity and frequency rates.

The severity rate is now calculated based on the number of days lost due to industrial accidents, multiplied by 200,000, and then divided by the theoretical number of hours worked. The frequency rate is now calculated based on the number of lost-time industrial accidents, multiplied by 200,000, and then divided by the theoretical number of hours worked.

In the past, through most of 2017, we had applied the following methodology:

- The severity rate was calculated based on the number of days lost due to industrial accidents, multiplied by 1,000, and then divided by the theoretical number of hours worked.
- The frequency rate was calculated based on the number of lost-time industrial accidents, multiplied by one million, and then divided by the theoretical number of hours worked.

	New methodology	Former methodology
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	2018	2018	2017	2016
Frequency rate of work- related accidents	3.5	17.5	16.1	17.6
Severity rate of work-related accidents	115	0.58	1.00	0.6

For our transport operations, the “Crash Rate” road safety performance indicator is based on the number of at-fault accidents declared to insurance companies, divided by 1,000,000 km. In 2018, Transport Solutions posted 2.985 accidents per 1,000,000 km.

To date, the company has identified no risk factor related to a recognized occupational illness.

d) Safety through technology

Technology is giving us unprecedented control and real-time visibility into our workplaces.

In our transport operations, we are continuing to invest in sophisticated onboard safety systems for our trucks and trailers. These systems feed data into our fleet analytics and, on a truck-by-truck basis, provide us with insights into the performance of individual drivers. This helps us coach drivers on targeted areas of improvement.

All of the new trucks we purchase – and about half of our global fleet in total – have collision mitigation technology, lane departure technology systems, cameras and radar. The onboard technology also includes electronic stability control that automatically corrects vehicle speed to prevent potential rollover incidents.

In our logistics facilities, we’re integrating automated pallet shrink-wrapping, collaborative robots, goods-to-person workstations and other technologies that make our warehouses safer and more efficient. In 2018, we began introducing collaborative robots in our facilities to handle the repetitive retrieval, lifting and carrying of goods, including at a site in France.

“SUSTAINABILITY MATTERS” – OUR COMMITMENT TO IMPROVE OUR ENVIRONMENTAL PERFORMANCE

As operator of the largest road fleet in Europe, and with over 600 warehouses, our company is strongly focused on limiting the environmental impact of its transport services and logistics solutions and supports the industry in doing the same.

Our main environmental impact comes from greenhouse gas emissions linked to our use of diesel in transport and to our use of natural resources and waste management in our warehouses.

In 2018, approximately 93% of our climate change impact was related to transport activities. However, we also pay rigorous attention to the environmental performance of our logistics facilities, where the majority of waste production is concentrated.

Considering the major role of subcontracting in XPO’s transport operations, we’re aware that our environmental performance is closely linked to that of our subcontractor suppliers.

a) Environmental strategy and measurement

In 2018, XPO Logistics Europe strengthened its commitment to sustainability by developing its first European environmental strategy. This took into account existing environmental strategies at the country level and defined a common roadmap.

Our European environmental strategy identifies our main environmental impacts as a business, defines our goals and describes our approach at the country, business unit and site levels to mitigate these impacts.

We are committed to the following ten objectives, which drive our actions on a daily basis:

1. To improve the environmental performance of our buildings by adopting environmentally conscious procurement practices and renewable energy systems.
2. To ensure that all new construction and refurbishments utilize environmental best practices where practicable, while seeking best value at all times.
3. To reduce the volume of general waste through the practice of segregation and recycling at the source.
4. To advance toward a goal of zero waste over time through sound environmental management and cultural change.
5. To improve the environmental performance of our road fleet by monitoring vehicle fuel consumption and carbon efficiency.
6. To adopt environmentally conscious procurement practices to ensure the goods and services supplied meet our environmental standards; this includes encouraging our transport subcontractors to adopt environmental performance best practices for their own fleet.
7. To integrate environmental responsibility into plans, procedures and policies as they are written or revised.
8. To promote a culture of environmental citizenship within all operations and engage fully with our key stakeholders in environmental concerns.
9. To meet and, where appropriate, exceed all relevant European and international legislative and regulatory requirements and agreements related to the environment.
10. To support continuous environmental improvement by establishing challenging performance targets and measuring those targets monthly at the site level, reporting quarterly and annually according to our European environmental reporting standard.

We view the promotion of environmental awareness, and the training of employees in environmental protection, as being key to improving our environmental performance. In 2018, we provided European employees with a total of 15,358 hours of training that were fully or partly devoted to reducing environmental impacts:

- 8,170 hours of training at our warehouses covered waste sorting, energy saving, new technologies and environmental accident prevention. Training and awareness courses are given to all staff, including managers, support function employees and operating staff. Course content is geared towards regulatory changes and issues specific to each site (e.g. monitoring regulations for facilities classified for environmental protection, waste transportation, fire prevention and ISO 14001 compliance).
- 7,188 hours of training for drivers covered accident prevention and eco-friendly driving. In France, Poland and Romania, this training is implemented through our driver management system known as the Safe Driving Plan, which involves training new drivers in eco-friendly driving during their induction period, at the six-month mark and every 18 months thereafter.

Our overall environmental performance is measured annually at the European level. We recently decided to introduce quarterly environmental reporting to facilitate timely follow-up of an agreed list of material environmental indicators. At the local level, monthly measurements are recorded within the framework of our ISO 14001-certified system or on the basis of facility environmental management guidelines defined by QHSE teams in each country or business unit.

As of the end of 2018, 54% of our sites were ISO 14001-certified. Even without certification, all of our sites have to comply with their QHSE national strategy under the umbrella of our new European integrated environmental management strategy.

Each country guarantees the environmental performance of its operations and has its own environmental management system covering:

- Compliance with applicable regulations;
- Monitoring and measurement of energy consumption, wastewater and noise pollution;
- Waste recycling and reclamation; and
- Promotion of environmental awareness among employees.

b) Climate change

• Specific programs and initiatives to improve our carbon footprint

In our logistics facilities, we monitor our energy consumption monthly to make sure our consumption is under control. When possible, we define improvement targets at the site level. In Transport Solutions, we improve our carbon footprint by focusing on four priorities: vehicles, drivers, fuel and transport flows.

In 2018, we implemented a series of initiatives that have a positive impact on our environmental performance:

- We increased our fleet of alternative fuel vehicles. In 2018:
 - o In France, we expanded to a total of 55 gas trucks;
 - o In Italy, we covered 12,580 km with electric vehicles in Florence;
 - o In Spain, we added two compressed natural gas rigid vehicles; and
 - o In Portugal, we introduced two compressed natural gas rigid vehicles.
- We improved the environmental performance of our intermodal solution in Paris (France), including river transport on the Seine, by investing in six compressed natural gas rigid vehicles to deliver goods to our customers' stores in the city center.
- We had more than 202,375 square meters of facility space equipped with LED lighting in Spain and France.
- In 2018, we announced a ground-breaking partnership with Nestlé, the world's largest food and beverage company, to co-create a warehouse of the future for consumer packaged goods.
 - o This collaboration is expected to create a 638,000-square-foot distribution center and digital innovation lab in the UK. The facility will be sited on man-made plateaus, with landscaping to minimize the visual impact.
 - o Additional sustainability measures include environmentally friendly ammonia refrigeration systems, energy-saving LED lighting, air-source heat pumps for administration areas and rainwater harvesting.

In accordance with pledges made under the CO₂ Charter (a voluntary program to cut carbon emissions set up by ADEME and the French Ecology Ministry together with our company in

2007; signed by the company for the first time in 2008 and since renewed four times), XPO has undertaken to reduce total vehicle emissions by 6% in the context of a three-year program (2016-2018).

In accordance with pledges made under the CO₂ Charter (a voluntary program to cut carbon emissions set up by ADEME and the French Ecology Ministry together with XPO Logistics in 2007, signed by the Company for the first time in 2008 and since renewed four times), XPO Logistics has undertaken to reduce total vehicle emissions by 6% in the context of a three-year program (2016-2018). We are still in the process of finalizing our 2018 performance based on the work we have done on vehicles, drivers, fuel and transport flows, the four areas of improvement defined by the CO₂ Charter. We will continue our commitment to the CO₂ Charter and are currently in discussion with ADEME on the next three-year plan.

In May 2016, XPO was recognized for its strong performance in reducing its CO₂ emissions when the company was awarded the Objectif CO₂ Certificate, valid for a three-year period, by the French Ministry for the Environment and the French Environment and Energy Management Agency (ADEME) following an independent audit. This audit certified the CO₂ performance of the French fleet of 2,176 vehicles out of 3,846 (in 2015), excluding contract distribution activities.

- **Key facts and figures about our carbon footprint**

In 2018, XPO Logistics Europe activities emitted 1,516,106 tons of CO₂.

TOTAL GHG EMISSIONS IN TONS OF CO₂ BY SCOPE

	2018			2017		
	Transport Solutions	Supply Chain Europe	TOTAL	Transport Solutions	Supply Chain Europe	TOTAL
Direct emissions (scope 1) – Fuel consumption by sites and owned fleet fuel consumption	532,581	152,976	685,577	556,916	233,848	790,764
Indirect energy-related emissions (scope 2) – Electricity consumption	3,971	86,503	90,474	3,961	98,565	102,526
Other indirect emissions (scope 3) – From transport subcontractors	708,172	31,901	740,074	660,681	1,200	661,881
TOTAL	1,244,726	271,381	1,516,106	1,221,558	333,613	1,555,171

The vehicles related to our Transport Solutions calculations are trucks, rigid-chassis vehicles and tractors with authorized loaded weights of between 19 and 40 tons.

Emissions from our Supply Chain operations largely arise from electricity and gas consumption. In Transport, vehicle fleet fuel consumption is the largest contributor to our climate change impact.

Consequently, fuel consumption is the company's primary source of greenhouse gas emissions and is the main focus of its emission reduction drive. Fuel consumption is also a key performance indicator for the road transport business, given that it has a major impact on the financial margins of transport service.

Greenhouse gas emissions are monitored and analyzed through overall annual reporting of the company's emissions in the non-financial statement, as well as monthly monitoring of all European sites, whether through environmental reporting of logistics facilities or performance follow-up of transport metrics (fuel consumption, percent of empty kilometers and load factor).

XPO Logistics Europe also measures the annual performance of its fleet in France, in accordance with the commitment made under the CO2 Charter action plan and the criteria required for its "Objectif CO2" label.

We also measure emissions per customer where possible and according to the structure of our transport operations under French regulations governing transport service GHG emission reporting (Decree 13-36). Since 2010, the company has informed 275 of its customers on the GHG emissions generated by its transport services.

The calculation tool for GHG emissions per customer was developed in-house in 2009 and is interfaced with various Transport Management Systems. In 2017, the methodology used by the GHG calculation tool was revised in accordance with changes to French regulations: the energy and business emission factors used by the tool, previously calculated in CO₂, are now calculated in CO₂ equivalent in accordance with these regulations.

CO₂ EQUIVALENT PERFORMANCE BY VEHICLE TYPE IN GRAMS PER TON-KM: DIRECT EMISSIONS FROM MOBILE COMBUSTION ENGINE SOURCES

	2018
Diesel	64.72
Compressed Natural Gas	1,868.89
Liquefied Natural Gas	51.76

c) Sustainable use of resources

Besides climate change, our activity impacts the consumption of natural resources, mainly through electricity consumption and waste production.

- **Electricity consumption**

Electricity is a major energy source for XPO, particularly in Supply Chain. In 2018, the company used 375,860,859 kWh of electricity in its European operations.

CHANGES IN ELECTRICITY CONSUMPTION

In kWh	2018	2017	Change
Supply Chain Europe	348,938,633	361,953,031	-3.6%
Transport Solutions	26,922,226	27,280,947	-1.3%
Total	375,860,859	389,233,978	-3.4%

Each warehouse in Europe analyses its electricity consumption on a monthly basis in order to reduce it. The electricity indicators they use vary according to their specific environmental management system. In our 2018 European integrated environmental strategy, we introduced a new electricity performance indicator at the European level in kwh/m² and in kwh/m³ by type of site. This will help compare performance and benchmark our sites against each other during quarterly European monitoring.

To reduce electricity consumption, new technologies (LED lighting, motion sensors and light sensors) and less energy-intensive materials are systematically used for all new buildings and renovation work in our LTL network in France.

In accordance with national regulations transposing Article 8 of Directive 2012/27/EU on energy efficiency, we performed energy audits in the UK, Spain, Portugal and France.

In addition to electricity, we use heating oil, diesel, and natural gas at our sites, consumption of which is provided below (excluding fleet fuel consumption, which is detailed under "Greenhouse gas emissions"). When our sites use this type of energy, they apply the same approach as for electricity: tracking monthly performance and analyzing what could be done to reduce it, mainly by implementing environmental awareness campaigns.

	2018	2017	Change
Natural gas (m³)	6,602,174	7,279,508	-9%
Heating oil and Diesel (liters)	1,705,375	1,823,067	-6%

- **Waste management**

XPO Logistics Europe supports the move towards a circular economy by reducing the amount of waste generated by our operations and by ensuring that as much waste as possible is sorted and recycled. Our staff implement best practices in terms of environmental management at the site level and have set up several partnerships with waste collection and optimization professionals. We continue to seek new opportunities to recycle and optimize waste.

In 2018, company operations generated 97,788 tons of waste, 93.2% of which was non-hazardous. 78% of waste was recycled in 2018, compared with 71% in 2017.

Our operations also generate food waste from employee catering services and logistics services in the retail sector. In 2018, this food waste amounted to 3,193 tons.

We actively seek to reduce the amount of food lost or wasted in supply chains by being as efficient as possible in the transport and logistics services we provide to our customers. For example, we use product traceability technology to alert our customers of products nearing expiry to avoid waste.

d) Environmental risk prevention, pollution and biodiversity protection

- **A risk prevention approach**

Our QHSE teams are focused on environmental risk prevention in order to prevent environmental incidents at our facilities and on the road. We have a robust framework in place for this: monitoring site compliance with applicable regulations to prevent emergency situations, preparing incident case studies and testing solutions under real-life conditions. These case studies take into account the physical features of the facilities, the types of goods stored and any third parties who could be affected by changes in operations.

Each country where we operate has drafted an environmental policy that rallies staff behind a common risk prevention and environmental protection strategy. In 2018, we developed a broad-based European risk assessment template to improve our monitoring of environmental risk management at the European level. Our company employs 20 safety consultants tasked with checking compliance against applicable regulations, training staff employees and preparing yearly reports on their respective remits. In logistics, we regularly assess environmental risk by applying provision methods strictly identical to those set out in the accounting rules and policies appended to the statutory and consolidated financial statements. The deposits required to manage classified sites (SEVESO in France, COMAH in the UK) have been duly paid. The amounts are not material and cannot be disclosed for confidentiality reasons.

We have performed studies on the impact of natural hazards for all of our SEVESO, COMAH and 14001-classified locations. These studies were approved by the relevant government agencies. In 2018, the company operated nine SEVESO sites in France, six COMAH sites in the UK, one in Italy, two in the Netherlands and one in Belgium. These sites' water, electricity and gas consumption and waste production are fully disclosed in this report.

- **Air pollution**

Air pollution generated by XPO's business activities mainly is due to road transport of goods and the main air pollutant emissions are regulated by EU standards. The EU regulations determine the maximum level of pollutant discharges allowable for new wheeled vehicles, with a goal of reducing the atmospheric pollution caused by road transport. Since January 2014, all new vehicles marketed in Europe must meet the Euro VI standard.

The enhanced environmentally friendly vehicles (EEV) standard is a pollution prevention standard for exhaust fumes that is stricter than the Euro V standard, as it only allows a very low amount of particles and fumes to be emitted. This standard is not mandatory but provides a further 30% reduction of particle emissions compared to Euro V.

XPO LOGISTICS EUROPE VEHICLE FLEET COMPOSITION

	Dec. 31, 2018		Dec. 31, 2017	
	Number of motor vehicles	As a percentage of the fleet	Number of motor vehicles	As a percentage of the fleet
Euro III and IV	134	1.7	188	2.3
Euro V and Euro V EEV standards	2,176	27.6	2,865	35.6
Euro VI	5,567	70.7	4,990	62.0
Total	7,877	100	8,043	100

In accordance with our company's strict policy regarding vehicle replacement, the average vehicle age of our fleet was 37 months as of December 31, 2018, compared with 32 months as of December 31, 2017. This shows that XPO operates a modern fleet with an excellent environmental performance.

In order to respond to growing concerns from public authorities and customers about the impact of air pollution on public health, XPO Logistics Europe has continued to invest in natural gas technology. In 2018, we ordered 43 new natural gas trucks, whose nitrogen oxide emissions are typically 30% to 70% lower than Euro VI diesel vehicles. As of December 31, 2018, we had a fleet of 55 natural gas trucks.

Additionally, we have developed new solutions for e-mobility in our last mile delivery operations. We operate nine zero-emissions electric vans in Europe, mainly for city-center delivery services.

In our logistics operations, we have some temperature-controlled warehouses that use gas cooling systems liable to generate low-level fugitive emissions. Consequently, we are investing heavily in switching to low-carbon sources of energy in order to meet 2030 standards. The company is specifically choosing solutions based on CO₂ and ammonia for its refrigerated facilities.

- **Protecting biodiversity**

Apart from greenhouse gas emissions, XPO's operations have little direct impact on biodiversity. Biodiversity impact is measured as part of the environmental analysis of all Group ISO 14001-certified sites.

Considering the location of our operations in urban areas and city outskirts, as well as our land-leasing model, our ability to contribute to the conservation of local flora and fauna is limited.

The company nevertheless supports a number of local biodiversity initiatives:

- We installed beehives at some of our logistics sites. Employees in logistics operations at the Satolas site set up beehives at two sites in the Lyon region in 2017. All technical aspects (installation, hive maintenance, beekeeping, etc.) are managed by Graine d'Abeilles. Several awareness workshops for employees were also organized.
- Within the framework of our UK logistics business, we pursue an environmental strategy that encourages certain types of natural habitat development, including maintenance of hedges or green areas around facilities which promote species protection and development.
- Furthermore, certain XPO facilities in France have introduced specific initiatives, such as maintaining the outside green spaces with the use of sheep at Coudray-Montceaux, Meung sur Loire, Beaulieu-sur-Layon and Boigny-sur-Bionne.

REPORTING METHODS – METHODOLOGY NOTE

XPO Logistics Europe's Non-financial performance statement abides by the implementation into French law of the European Directive 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The elements expected by Article R.225-105 of the French Commerce Code are included in the management report: the elements constituting the company's business model are described in Chapter 1; the main non-financial risks are described in particular in Chapter 5.2.1. through the three CSR priorities ("Integrity Matters", "Road to Zero" and "Sustainability Matters"), then the policies and results in the following paragraphs. The method for identifying the main CSR risks and issues is presented below. The company updates its detailed CSR reporting protocol each year and circulates it to all parties involved in providing content for the CSR Report.

The indicators set out in the Non-financial statement were selected by XPO Logistics Europe management based on the relevance and significance of the information in view of the company's business activities, namely Transport (Transport Solutions) and Logistics (Supply Chain Europe). Each indicator is defined in detail and forwarded to all company locations. In 2016, the environmental indicators were updated following a review by several taskforces comprising Transport and Supply Chain teams. In 2017, a minor update of the reporting guidelines resulted in the inclusion of several additional qualitative questions on social and environmental aspects.

In 2018, XPO Logistics Europe conducted a CSR materiality analysis based on the ISO 26000 standard in order to evaluate our CSR risks and opportunities. This analysis was overseen by the Risk Committee – a group of XPO senior leaders engaged in evaluating potential risks in the European operating environment. The committee is chaired by the chief compliance officer and overseen by the chief executive officer in Europe. Members typically include business function leaders and corporate leaders. In order to incorporate the perspective of external stakeholders, we asked our top three customers to give their views on our current CSR approach. In addition, we conducted several internal workshops with QHSE and HR teams to improve or develop environmental and social indicators.

Also in 2018, a CSR materiality analysis was conducted at the global level and the outcomes of the two analyses (global and Europe) were similar. The global CSR materiality analysis was conducted by an independent firm and is based on a comprehensive review of the environmental, governance and economic topics most relevant to XPO and our stakeholders. The executive leadership team was interviewed, internal subject matter experts were surveyed and a desk review of documents representing the views of external stakeholders was conducted.

Scope

The target scope of the indicators in this report covers all company entities that are included in the consolidated financial statements of XPO Logistics Europe, i.e. XPO Logistics Europe and its subsidiaries within the meaning of Article L.233-1 of the French Commercial Code and all the companies it controls within the meaning of Article L.233-3 of the Code.

According to standard practice, all companies acquired or disposed of during a given financial year, together with franchisees (not consolidated from a financial standpoint), are excluded from the target scope. In addition, Supply Chain US entities (formerly Jacobson) acquired in 2014 and accounting for 11% of XPO Logistics Europe revenue in 2018, are also excluded from 2018.

Generally speaking, collected data covers the period from January 1 to December 31, 2018.

Depending on the nature of each indicator, data represents consolidated full-year 2018 results or measurements taken as of December 31, 2018.

With regard to social and environmental aspects, data covering all operating subsidiaries was collected using a specific reporting application and distributed to the different business units' QHSE departments or HR departments, having previously been consolidated by country.

Where possible and relevant, 2018, 2017 and 2016 indicators are compared. However, a significant part of the changes observed can be explained by changes in the measurement scope. In fact, facilities are closed and opened during a given year, and their consumption is not always offset due to differences between operations. In the Supply Chain business, for example, temperature-controlled warehouses consume more energy than warehouses at ambient temperature, and so the opening or closing of a temperature-controlled facility can skew results.

CSR covers all European operations and is handled by our company's European CSR manager, who reports to the Head of Health and Safety Europe. The role of European CSR manager is to oversee the European CSR process in coordination with all internal and external stakeholders that have expectations of, or an impact on, the company's social performance. It also guarantees the promotion, both internally and externally, of an approach that combines best practices and benchmarking with regulatory monitoring.

Topics related to limiting animal welfare and responsible, equitable and sustainable food are not dealt with in this report as they are not material to our operations.