Environmental, Social and Governance Priorities

XPO's culture of innovation promotes environmental, social and organizational sustainability, and we're continually working to improve our performance across these areas. In 2020, we developed a Board-level process to improve performance on key ESG factors, building on work started in 2018 to prioritize measures of sustainability.

Materiality

We believe sustainability makes good business sense. We listen carefully to the expectations of our stakeholders, and we embed purpose-led, sustainable thinking in our operations, governance and strategy. Together with our customers, suppliers and other stakeholders, we are fostering equitable workplaces for our employees, making a difference in our communities and promoting the transition to a low-carbon economy.

Materiality Analysis

In 2018, we conducted a global analysis to identify the key issues material to our business. We partnered with an independent firm, FrameworkESG, to undertake a comprehensive review of the environmental, social, governance and economic topics most relevant to XPO and our stakeholders by interviewing members of our executive leadership team, surveying internal subject matter experts, reviewing the input of external stakeholders, and analyzing opportunities and risks to the business.

The results of our analysis are represented in our materiality matrix, which reflect issues deemed of highest priority to our company and our stakeholders. The four highest rated material issues can be found in the upper right and ranked here beginning with highest priority: Talent and Culture; Workforce Health, Safety and Security; Corporate Governance; and Energy and Climate Change. We also recognize a second band of six issues that are important to our company and our stakeholders and define who we are as an organization: Ethical Conduct; Innovation; Customer Satisfaction; Diversity and Inclusion; Employee Relations and Network Optimization.

This materiality analysis guides our ESG efforts, as we evolve our sustainability strategy and disclosure priorities.

Expanding Board Oversight

As a reflection of the importance of ESG to XPO, the Board of Directors elected to elevate sustainability oversight to a specific committee. Now, our Nominating, Corporate Governance and Sustainability Committee provides oversight of, and engagement with, management on our sustainability strategies, performance and external disclosures.

ESG Scorecard

In 2020, we developed an ESG scorecard 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 XPO Board's Compensation Committee agreed with the inputs from management and incorporated these recommendations into the scorecard.

The resulting scorecard initiatives encompass material issues at the corporate and business unit levels, organized in six categories of our Sustainability Report materiality matrix: workforce and talent; employee and community safety; diversity, equity and inclusion; information security; environment and sustainability; and governance. The 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 40 initiatives per year, and with each initiative weighted equally within the year.

ESG Scorecard Summary

Performance Period

ESG CATEGORY	2020	2021	2022	2023
Weighting of ESG Category within Each Performance Period[1]				
Workforce and Talent	19%	22%	25%	26%
Employee and Community Safety	35%	27%	28%	16%
Diversity, Equity and Inclusion	12%	20%	15%	21%
Information Security	12%	11%	13%	13%
Environment and Sustainability	19%	16%	15%	16%
Governance	5%	4%	5%	8%
(A) Total	**100%**	**100%**	**100%**	**100%**
(B) *Total # of Initiatives*	**43**	**45**	**40**	**38**
# of Points Awarded Per Initiative (A/B)[1]	**2.3**	**2.2**	**2.5**	**2.6**

[1]*May reflect rounded values*

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 as a whole that align with the categories identified in the materiality matrix.
- The ESG scorecard is at the forefront of the growing trend to include ESG components in long-term incentive design.

ESG Scorecard Structure and Content Summary

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

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Workforce and Talent	2020: 19% 2021: 22% 2022: 25% 2023: 26%	Maintain employee job satisfaction Maintain a rewarding, high-performance culture	Maintain a high 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 less than or equal to 10% for LTL drivers (excluding retirees) for each performance period

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Employee and Community Safety	2020: 35% 2021: 27% 2022: 28% 2023: 16%	Provide employee health, safety and financial protection during COVID-19 pandemic Maintain a safe workplace Encourage accident and injury prevention	Improve DOT recordable preventable accident frequency in both Managed Transportation (MT) and LTL

Improve DOT recordable preventable accident frequency in both Managed Transportation (MT) and LTL

2020	2021	2022	2023
0.65 (MT) / 0.68 (LTL) DOT-reportable preventable accidents per 1 million miles	3% (MT) / 2% (LTL) improvement over prior year	3% (MT) / 2% (LTL) improvement over prior year	–

Improve rate of lost workdays as a proportion of hours worked in LTL

2020	2021	2022	2023
99 lost workdays for every 200,000 hours worked	2% improvement over prior year	2% improvement over prior year	–

ESG Scorecard Summary

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Diversity, Equity and Inclusion	2020: 12% 2021: 20% 2022: 15% 2023: 21%	Attract, retain and develop a diverse and inclusive workforce Build sustained diversity, equity and inclusion functions, with impactful programs and measurable actions Maintain diverse supplier spend	Increase the rate of women and underrepresented racial/ethnic groups promoted to managerial positions, with separate targets for each group

2020	2021	2022	2023
—	Growth of ≥ 5% from 2020	Cumulative growth of ≥ 10% from 2020	Cumulative growth of ≥ 15% from 2020

Maintain an annualized percentage of diverse hires (US employees) at ≥50% (2021 and 2022 performance periods) and ≥55% (2023 performance period)

Increase percentage of purchases allocated to diverse suppliers in the North American logistics business by a minimum of 10% for each performance period

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Environment and Sustainability	2020: 19% 2021: 16% 2022: 15% 2023: 16%	Reduce fossil fuel dependency Reduce carbon emissions and carbon footprint Reduce nitrogen oxide emissions Reduce waste	Improvement in fuel efficiency in Managed Transportation

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

Reduce carbon emissions through ≥2.0% load factor increase rate in LTL over prior year (2020 performance period)

Reduce carbon emissions by 10% or more in North American logistics distribution centers by 2023

Establish a European Sustainability Steering Committee (2020 performance period) *

The mandate of the European Sustainability Steering Committee includes carbon reduction targets to reduce overall greenhouse gas emissions by 25% and reduce vehicular emissions per tonne.km by 10% by 2030 using a 2019 baseline

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Information Security	2020: 12% 2021: 11% 2022: 13% 2023: 13%	Safeguard confidential customer and employee information; protect against external threats	Target a mean time to resolve (MTTR) below industry average of 1.73 days (2020 performance period) Perform an annual, independent third-party information security health check and assess against benchmarks, maintaining rigorous information security at a level in the two top quartiles of the industry average for each performance period

CATEGORY	WEIGHT %	STRATEGIC OBJECTIVES	SAMPLE INITIATIVES AND TARGETS
Governance	2020: 5% 2021: 4% 2022: 5% 2023: 8%	Maintain proper compliance with federal, state and local laws	Completion rate of at least 85% for all mandatory and assigned compliance training courses (for each performance period)