

CITIZENSHIP

EX<sup>®</sup>

I DELIVER  
A BETTER  
WORLD

# EVERYONE AT FEDEX CREATES CONNECTIONS THAT CHANGE PEOPLE'S LIVES FOR THE BETTER

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# I PUT OPPORTUNITY WITHIN EVERYONE'S REACH

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## Projected Surge in the Global Middle Class

2030  
**5 billion**

2010  
**1.8 billion**



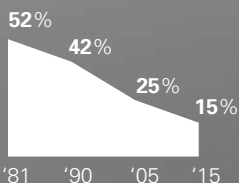
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In developing nations such as Brazil, China and India, standards of living are rising, and the global middle class is growing fast—from 1.8 billion today to an estimated 5 billion by 2030. The opportunity to move up always comes when people have more connections to the global marketplace. It's our job at FedEx to help create those connections and make them easier and faster to use.<sup>1</sup>

# I IMPROVE HOW PEOPLE CAN LIVE

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## Global Decline in Poverty



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As people interact with others around the world, their diverse skills and perspectives mix, creating new opportunities—and greater prosperity. We know that the amazing diversity of our more than 290,000 team members improves our own business. And we believe that by opening the global marketplace to everyone, we help bring prosperity. In 1981, 52 percent of the world's population lived on less than \$1.25 a day. This percentage is expected to fall to 15 by 2015.<sup>2</sup>





# I FIND BETTER WAYS TO MOVE THE WORLD

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## Global Investment in Low-Carbon Energy



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Between 2009 and 2010, global investment in low-carbon energy increased by \$56.5 billion, reaching \$243 billion. The world sees a future powered by low-carbon and alternative energy sources. Just as important, it envisions great savings produced by smarter traffic design, smarter routing of commercial vehicles and even by actions as simple as better driving techniques. Our team members look for every possible way to make moving the world more efficient.<sup>3</sup>

# I AM HUNGRY TO SOLVE TOMORROW'S PROBLEMS

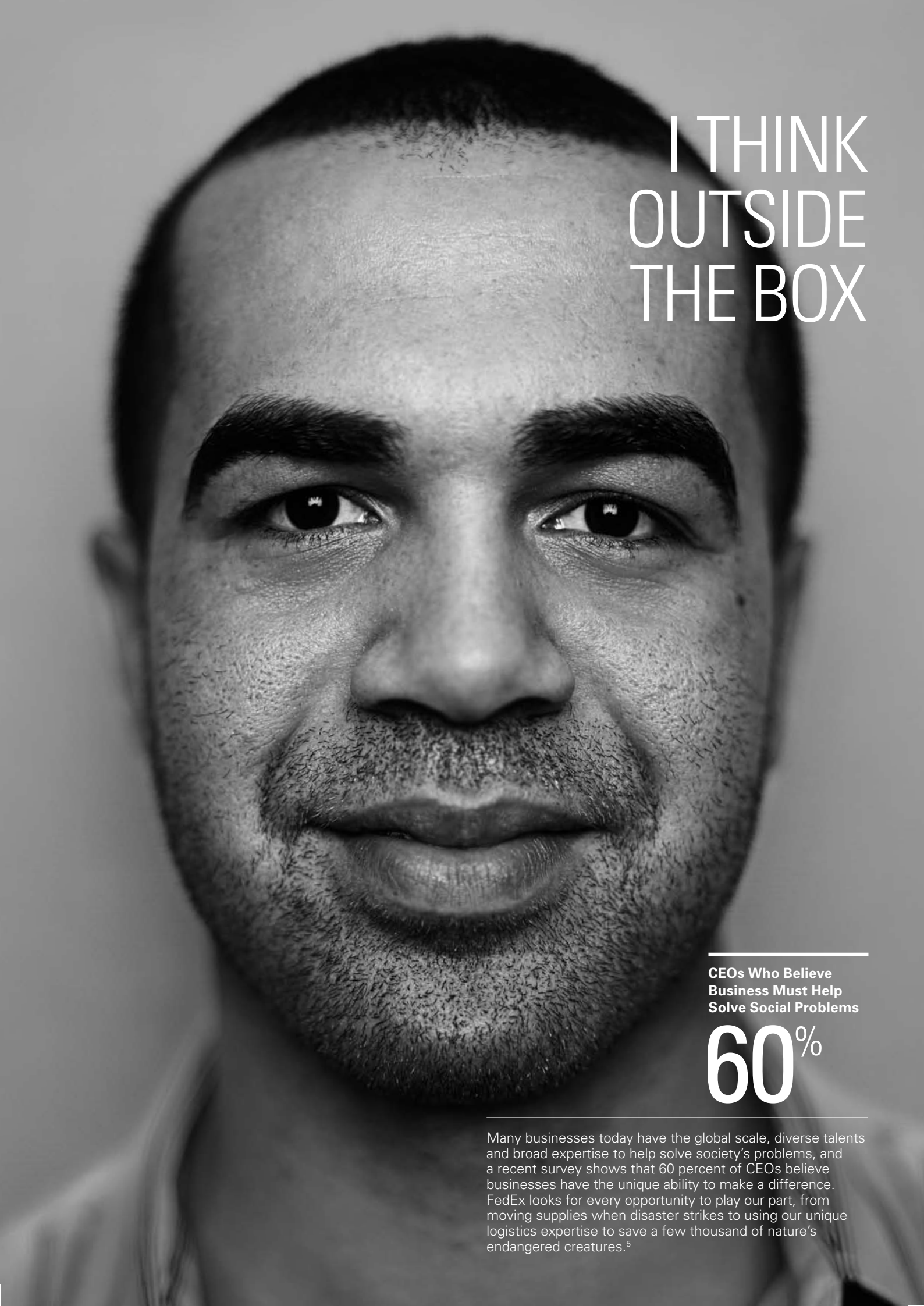
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## Projected Growth in Hybrid and Electric Vehicle Sales



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Seeing the world in new ways can change everything. In Japan, there are plans to install chargers for all-electric cars alongside the country's ubiquitous vending machines. Globally, hybrid and electric vehicle sales are expected to jump from 954,000 in 2010 to 5.2 million by 2020. We will make sure that our own fleet is part of the solution and advocate for the infrastructure needed to support electric vehicles.<sup>4</sup>



# I THINK OUTSIDE THE BOX

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**CEOs Who Believe  
Business Must Help  
Solve Social Problems**

**60%**

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Many businesses today have the global scale, diverse talents and broad expertise to help solve society's problems, and a recent survey shows that 60 percent of CEOs believe businesses have the unique ability to make a difference. FedEx looks for every opportunity to play our part, from moving supplies when disaster strikes to using our unique logistics expertise to save a few thousand of nature's endangered creatures.<sup>5</sup>

I AM INSPIRED BY  
HOW THE PEOPLE  
OF FEDEX CHANGE  
WHAT'S POSSIBLE



## Message From the Chairman

FedEx was founded to help commerce move faster and more efficiently. As we grew, we helped more people and businesses around the world access the global marketplace, which, in turn, began to make people's lives better.

According to the National Bureau of Economic Research, the global poverty rate fell nearly 75 percent between 1970 and 2006. Of course, FedEx cannot claim credit for that trend, but we certainly contributed to it.

We've helped bring new levels of opportunity and prosperity to millions around the world. I am proud to be part of a team of some 290,000 FedEx people who improve global prosperity every day. Our team has created something very meaningful.

We have truly changed what's possible and because of that, we have a commitment to people around the globe: to use resources responsibly; to expand our capabilities wisely and well; and to help people, businesses, and communities thrive.

This Global Citizenship Update offers many examples of how we live up to our responsibilities. It documents our progress in four specific areas:

- 1) Economics and Access,
- 2) Environment and Efficiency,
- 3) Community and Disaster Relief, and
- 4) People and Workplace.

It tells stories of how FedEx team members drive us forward responsibly and resourcefully. Their actions speak just as loudly as the numbers that mark our progress. Every FedEx team member contributes.

We've focused great efforts over the past year on reducing our dependence on petroleum. Every day, we deliver more than 8.5 million shipments to more than 220 countries and territories. Every day, we fly the equivalent of a half-million miles, and drive almost 12 million miles. That's why we've advocated for a future light-vehicle transportation system that relies more on electricity and less on oil.

In this report, you will learn about our team members' efforts in many areas. How they pioneer new technologies that make our systems, vehicles, and routes more efficient. How they help our company and the world achieve more with limited resources. How they create new connections between people and businesses everywhere.

In a truly global economy, prosperity depends on global connections. We make those connections happen reliably, millions of times every day. We provide access to the opportunities that make people's lives better.

We are FedEx, and we intend to conduct our business profitably while meeting public expectations for good corporate citizenship.

In fact, we've got about 290,000 people working on it right now.



Frederick W. Smith



Frederick W. Smith  
FedEx Corporation Chairman,  
President and CEO





# WE ARE ALL INSPIRED

An idea doesn't become a business on its own.  
New products don't just show up on a shelf.  
The way the world works doesn't just naturally  
get more efficient. And problems rarely, if ever,  
solve themselves.

People take action. People make change.  
People shape the world.

FedEx knows this because we see it every  
day. We see it in our customers and in  
the communities we serve. We see it in  
each and every one of our more than  
290,000 team members.

More than 290,000 team members who help  
create new opportunities. More than 290,000  
team members who keep the world connected.  
More than 290,000 team members who  
collectively provide the access people need.

Take a closer look at our company, and you'll  
see it's all about our people working to make a  
difference in the way that others are able to live.

# AT FEDEX, WE HAVE A SIMPLE GOAL: TO CONNECT THE WORLD IN RESPONSIBLE AND RESOURCEFUL WAYS

We track  
progress  
in four  
key areas:

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## Economics & Access

Our physical and digital networks provide increased Access, giving people everywhere the means to connect with opportunity and innovation.

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## Environment & Efficiency

Our role is to expand the world's ability to connect more efficiently, while minimizing our impact on the environment. We've organized our efforts to achieve that goal in a program we call EarthSmart.

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## Community & Disaster Relief

As we expand our networks, we improve our ability to provide faster emergency relief when disasters strike. It's just one way we leverage our infrastructure, our expertise and our people to help communities worldwide.

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## People & Workplace

Our efforts to serve our customers, stakeholders and communities are brought to life by the everyday actions of our people.

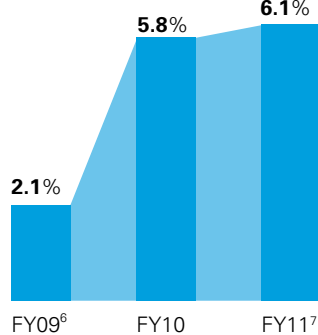


## ECONOMICS & ACCESS

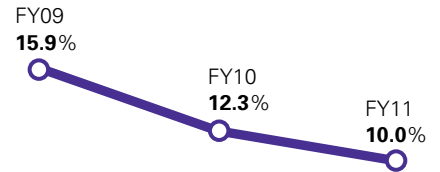
Revenue  
(in billions, FY11)

**\$39.3**

Operating Margin



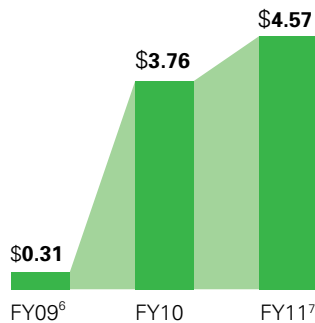
Debt to Total Capitalization



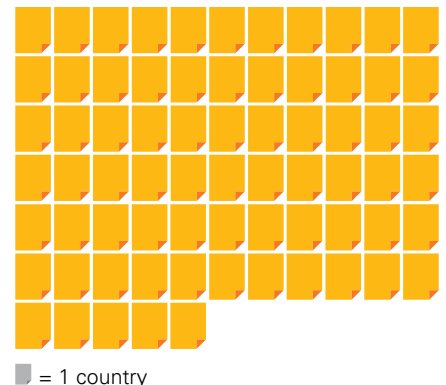
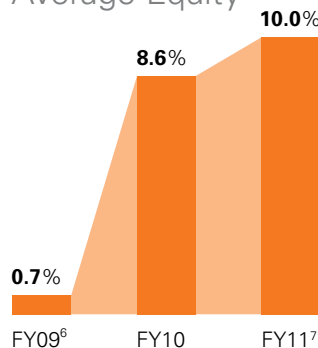
### Electronic Trade Documents

Customers in 71 countries can now submit customs documents electronically using FedEx Electronic Trade Documents. FedEx ETD saves paper, time and money.

Diluted Earnings Per Share

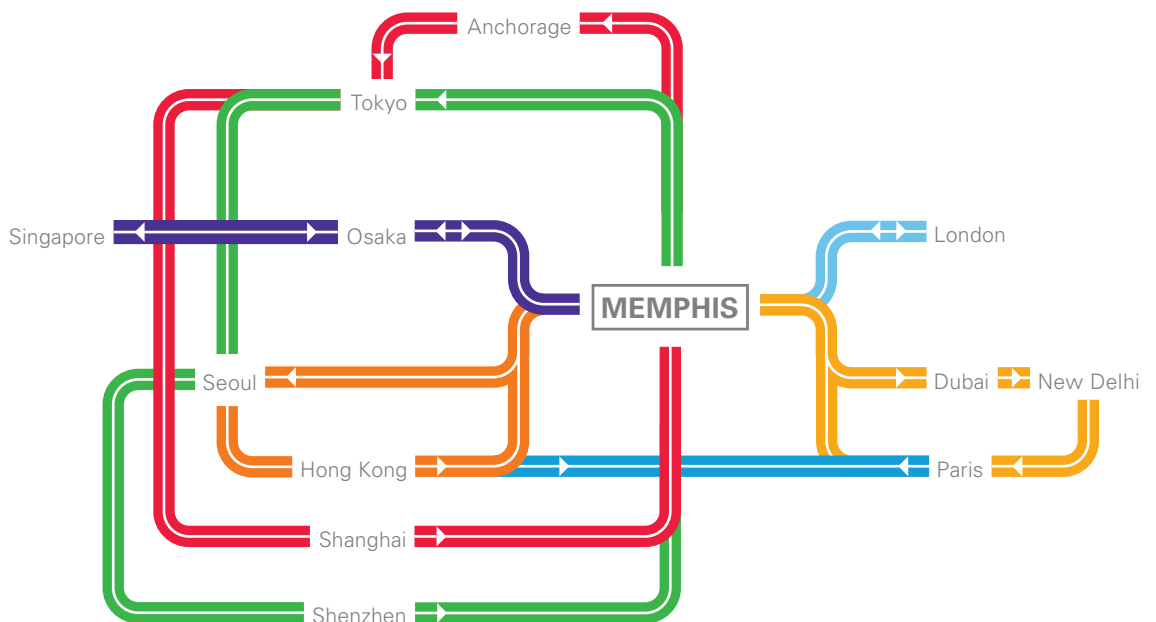


Return on Average Equity



### 777F Trade Lanes

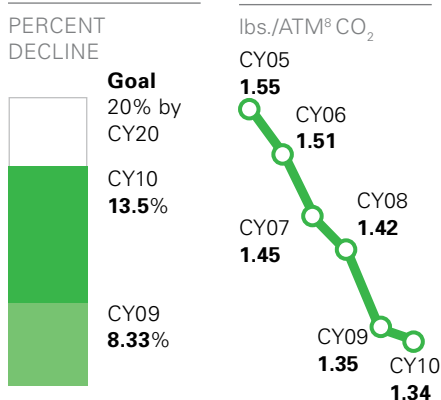
Our 777Fs fly farther on less fuel while carrying more cargo than the MD-11s they replace. The result? A steep reduction in cost and emissions per unit transported. We've just added 6 more 777Fs, increasing our fleet to 12, and introduced direct flights from Memphis to South Korea and southeast China. Based on current purchase options and commitments, we will have 45 777Fs in service by 2020.



# ENVIRONMENT & EFFICIENCY

## Aircraft Emissions

We track and reduce our aircraft CO<sub>2</sub> emissions to lower our carbon footprint. Our goal by 2020 is to reduce our CO<sub>2</sub> emissions intensity by 20 percent as compared with our 2005 performance.



## Enterprise CO<sub>2</sub> Emissions

(in metric tons)

We understand the importance of comparable standards. To track our progress on enterprise-wide reductions in CO<sub>2</sub> emissions, we follow Greenhouse Gas Protocol Initiative Standards.

### SCOPE I

Direct emissions from sources that are owned or controlled by us.



### SCOPE II

Indirect emissions that are from consumption of purchased electricity, heat or steam.



### SCOPE III

Other indirect emissions, including: emissions from fuel sold to FedEx Ground independent contractors and FedEx Express feeder aircraft contract operators.

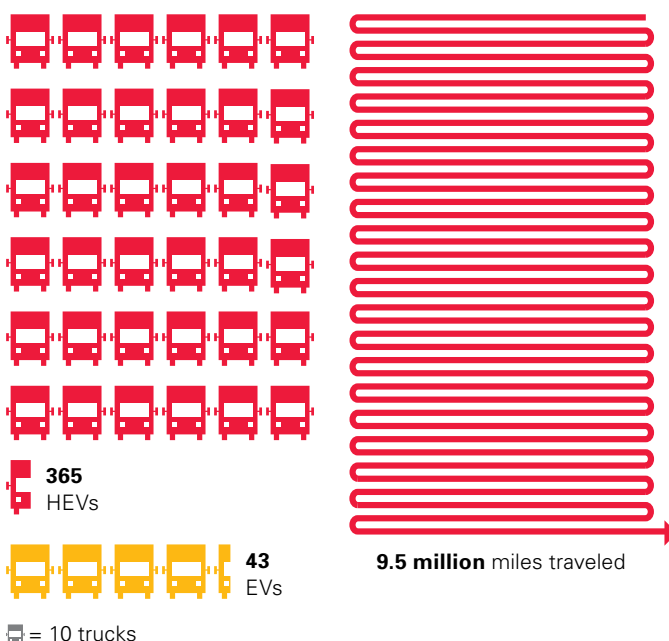


## Penalties & Fines

In FY10, environmental inspections resulted in a total of \$2,020 in assessments.

## Electric & Hybrid-Electric Vehicle Count

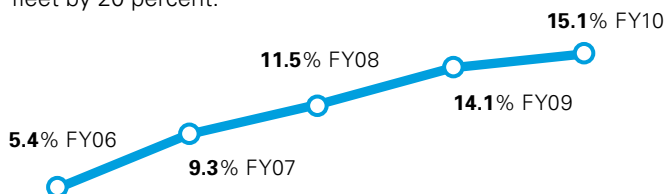
By the end of FY11, we had increased our global EV and HEV fleet to 408 vehicles, an increase of nearly 20 percent. The fleet has logged almost 9.5 million miles. That's almost 20 times to the moon and back, saving approximately 276,000 gallons of fuel and reducing our CO<sub>2</sub> emissions by nearly 2,800 metric tons.



## Vehicles' Fuel Efficiency Improvement

(FedEx Express)

Our goal for 2020: Improve the fuel efficiency of the FedEx fleet by 20 percent.



## EPA SmartWay Transport Partnership

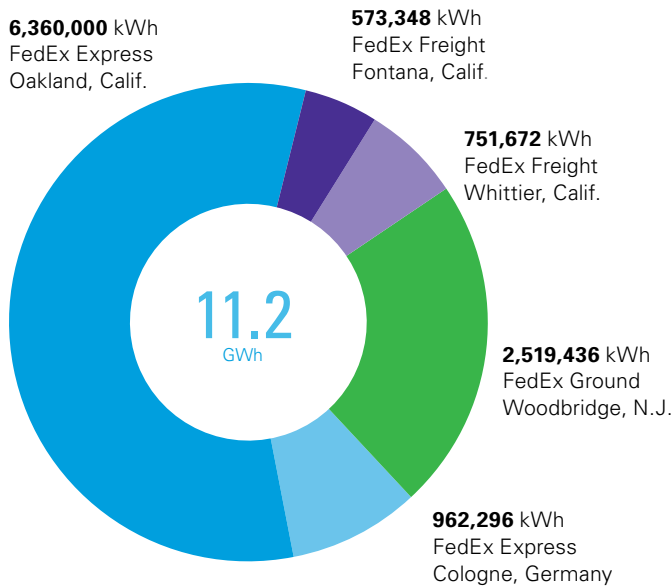
(FY10<sup>9</sup>)

This innovative collaboration between the freight industry and government aims to reduce air pollution and improve fuel efficiency. A performance score of 1.25 is outstanding, 1.0 is very good and 0.75 is good.



## Electricity Generated by Solar Facilities to Date

We now have five facilities, four in the U.S. and one in Europe, utilizing solar energy. These five facilities alone are reducing CO<sub>2</sub> emissions by an estimated 3,918 metric tons per year. This is roughly equivalent to 440,000 gallons of gasoline or 100,000 tree seedlings growing for 10 years.



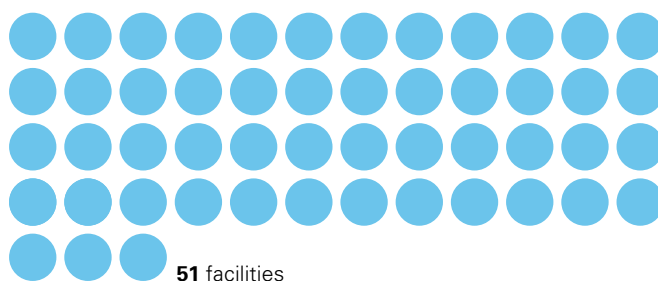
## Renewable Energy Credits (FY10)

One Renewable Energy Credit (REC) represents 1,000 kilowatt-hours of electricity produced by a renewable energy facility. We buy RECs to offset emissions associated with the electricity we use and to support efforts to make electricity from renewable sources.

**30,000 MWh**

## Facilities With ISO 14001 Certification

ISO 14001 provides a framework for a holistic, strategic approach to an organization's environmental policy, plans and actions. It outlines requirements for environmental management systems, and 51 of our facilities meet those requirements.



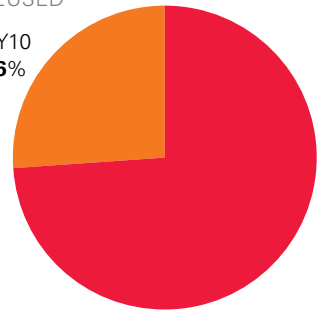
## Recycling (millions of lbs.)

We recycle and/or reuse a significant percentage of waste, and we look for new technologies to help us increase this amount. This includes nonhazardous, hazardous, universal and e-waste.

**41.5**

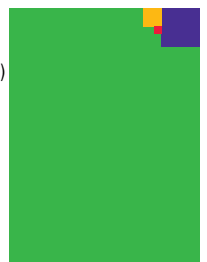
## PERCENT OF WASTE RECYCLED AND/OR REUSED

FY10  
**26%**



## Waste Streams (FY10)

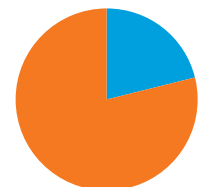
- 95.76%** nonhazardous (includes solid waste)
- 2.83%** hazardous
- 1.30%** e-waste
- 0.11%** universal



## FSC-Certified Paper in FedEx Office Print & Ship Centers

We seek to buy paper for our FedEx Office Print and Ship Centers from suppliers certified by the Forest Stewardship Council, which helps ensure responsible forest management.

FY10  
**79.09%**



# COMMUNITY & DISASTER RELIEF

## Charitable Giving

(cash and in-kind giving as % of pre-tax profits)

FedEx  
FY10

**1.51%**

Average  
U.S.  
Corporation  
CY09<sup>10</sup>

**1.12%**

## Direct Relief International

For 16 years, we've worked with Direct Relief International to deliver medicines, supplies and medical equipment. Every year, we contribute air freight for 1,500 shipments to disaster-stricken communities.



■ = 100 shipments

## Gulf Turtle Rescue

The Gulf of Mexico oil spill badly hurt the regional ecosystem. We used our ability to transport temperature- and vibration-sensitive packages to rescue over 25,000 endangered sea turtle eggs.



● = 1,000 eggs

## Charitable Shipping

We set aside space for as much as 4 million pounds of charitable shipping each year. But when great need comes, we do more. With the earthquake in Haiti and the Gulf of Mexico oil spill this year, we donated space for 5.2 million pounds of charitable shipping.



equivalent to one  
757 aircraft

**5.2 million** pounds  
total space set aside for  
charitable shipping

## Shipping Donated to American Red Cross

(in tons, FY10)

Earthquake-stricken Haiti remains without adequate water and sanitation facilities and has suffered numerous cholera outbreaks. Never has our decade-plus relationship with the American Red Cross been more valuable. We've donated shipping for 90 tons of supplies, including cots for hospital use and 500,000 sachets of oral rehydration salts.

**90**

## Volunteering

We help our team members around the world make a difference. FedEx Cares Week and the Safe Kids Walk This Way program exemplify our commitment to the communities where we live and serve.

### FEDEX CARES WEEK



**4,000**  
volunteers



**20,000**  
hours  
volunteered



**94**  
cities

### SAFE KIDS WALK THIS WAY



**1,725**  
volunteers



**3,450**  
hours  
volunteered



**240**  
cities

### NUMBER OF COUNTRIES WITH FEDEX CARES WEEK & SAFE KIDS WALK THIS WAY ACTIVITIES



**2**  
North America  
Region

**26**  
Latin America  
and Caribbean  
Region

**4**  
Europe,  
Middle East  
and Africa  
Region

**12**  
Asia-Pacific  
Region



# PEOPLE & WORKPLACE

## Global & U.S. Work Force

Gender and ethnic diversity is an asset, and we commit to building a global work force that brings together a breadth of backgrounds, talents and perspectives.

### WOMEN IN WORK FORCE

**27.1%** women in our global work force



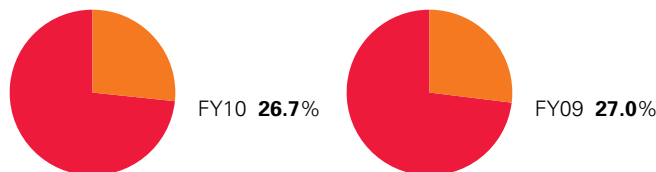
**21.7%** women in our management roles globally



### U.S. WORK FORCE ETHNICITY

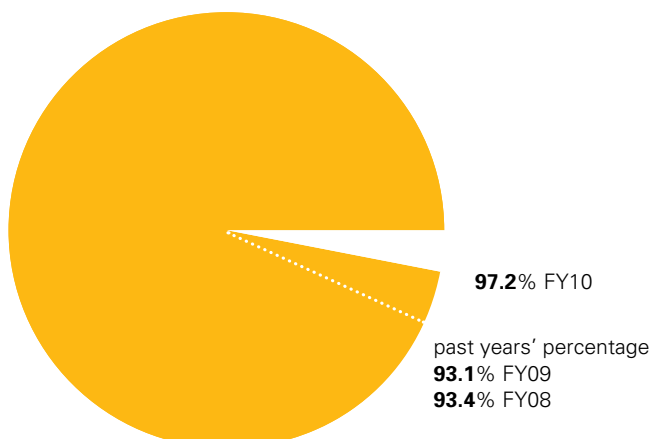


### U.S. MINORITIES IN MANAGEMENT



## Team Member Engagement

Engaging our team members and getting their input is crucial to our success. The percentage of team members who have participated in our annual feedback survey reflects FedEx Express, FedEx Freight and FedEx TechConnect, with a companywide solution on the horizon.



## Global Team Members

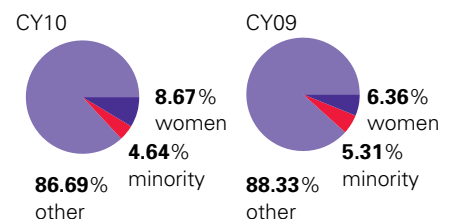
At FedEx, we are as diverse as the world we serve, yet we share the common belief that our varied backgrounds, skills and experiences combine to create a stronger corporation. We understand how the definitions of diversity and minority shift depending on cultural context, and we value the contributions and perspectives of all team members regardless of race, gender, culture, religion, age, nationality, veteran status, disability, sexual orientation or gender identity. The diversity of our work force is essential to our continued success in today's ever-changing global marketplace.

## Total Corporate Spending: Minority, Women-owned and Small Businesses

(in billions, FY10)

**\$3.1**

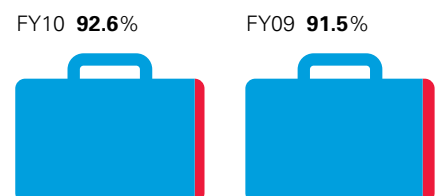
### SMALL-BUSINESS SPENDING



## Domestic Partners

This past year we were pleased to announce that we will offer benefits to domestic partners beginning in January 2012.

## Full-time U.S. Retention Rate



## Selected Awards & Recognitions (January 1, 2010 – April 15, 2011)

★ No. 8, "Most Admired Companies," FORTUNE Magazine	★ "Top 10 Most Reputable U.S. Companies," Forbes	★ Dow Jones Sustainability Index	★ No. 1, "Top 20 U.S. Printers," EPA Green Power Partnership	★ "Top 500 Greenest U.S. Companies," Newsweek
★ Top 50, Reputation Institute CSR Index, Boston College	★ "Committed to the Environment Award," The International Charter	★ Top 20, "Asia's 200 Most Admired Companies," The Wall Street Journal (Asia)	★ "Corporate Award for Balance," Lindbergh Foundation	★ "100 Best Companies to Work For," FORTUNE Magazine
★ "Best Places to Work in IT," Computerworld Magazine	★ Top 40, "Best Companies for Diversity," Black Enterprise Magazine	★ "Platinum Award," Air Cargo Excellence Awards	★ "Best Global Cargo Hub" – Memphis World Hub, Institute of Transport Management	★ "Best All Cargo Airline," Asian Freight & Supply Chain Awards



EarthSmart is our commitment to minimize our impact on the environment. Our aim is to find or create new ways not only to improve our own company's environmental performance, but also to point the way for other companies in our own industry and beyond. Specifically, EarthSmart covers three areas: Solutions, @ Work and Outreach.

### SOLUTIONS (see page)

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## References

ACCESS  
<http://access.fedex.com>

ANNUAL REPORT  
<http://ir.fedex.com>

BOARD OF DIRECTORS  
<http://ir.fedex.com/committees.cfm>

CODE OF BUSINESS  
CONDUCT AND ETHICS  
<http://ir.fedex.com/downloads/code.pdf>

CORPORATE GOVERNANCE  
<http://www.fedex.com/us/investorrelations/corpgov>

DIVERSITY COUNCILS AND ALLIANCES  
<http://csr.fedex.com>

GLOBAL CITIZENSHIP  
<http://csr.fedex.com>

VALUES  
<http://www.fedex.com/us/about/today/mission.html>

WE DELIVER  
WHAT TOMORROW  
REQUIRES TODAY



# PUTTING OPPORTUNITY WITHIN EVERYONE'S REACH

Want to see an economic growth engine? There's one in every package we move around the world. The connections we create help people find opportunities that previously didn't exist where they live. They help all businesses reach the global marketplace. They bring small businesses the resources they need to grow and bring new benefits to their customers, employees and communities.





Connecting the dots between emerging economies and the world: A FedEx Express truck travels through Kowloon, China.

## To Catalyze Commerce, You Need a World Full of Connections

By connecting the world, we create opportunity. And opportunity, it becomes clearer every day, is what fuels economic recovery.

As businesses rebound from the Great Recession, we see them learning to take advantage of faster, more technologically advanced Access. They're becoming leaner and more nimble, further reducing inventory costs and reaction time. They're rethinking business models, creating innovations that give them the advantage of being aligned to the technological realities of today. And perhaps most important, they're able to connect to more of the world's markets, creating mutual benefit between developed and emerging markets.

FedEx, of course, plays a key role in connecting emerging markets with opportunities that simply don't exist within their borders. This expands the global market, creating a virtuous cycle. Developed countries gain access to new goods and services, as well as to the growing middle classes in emerging markets. Then the people and businesses in emerging markets gain access to new consumers for their wares, as well as to products and services that improve their health and well-being.

We call it the Access Effect: the jobs and prosperity that come to communities when their businesses can connect to the global marketplace. In a study we sponsored, SRI International—a third-party research firm—found that prosperity does increase when communities get more connected. According to the

Office of the United States Trade Representative (USTR), 95 percent of the world's consumers live outside of the United States. Increasingly, these global consumers are also providers of goods and services that are vital to the success of all economies.

The surging middle class in the Asia-Pacific region is primed for products we produce here, fueling prosperity both in the United States and abroad. America's small- and medium-size enterprises alone exported \$173 billion to the Asia-Pacific region in 2008, according to USTR.

The rising middle class in the developing world is not only a boon

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As businesses rebound from the Great Recession, we see them learning to take advantage of faster, more technologically advanced Access.

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for mature economies, it's also a boon to struggling industries. For example, the automotive industry is coming back as families in developing nations reach the magic number of \$10,000 annual income—the point when car ownership becomes affordable. In 2009, China passed the United States as the world's largest auto market.

That's good news for areas like Michigan, which has the design skills and experience that Chinese automakers need. Last year, General



A FedEx Express truck navigates the crowded streets of Delhi, India.

Motors sold more cars in China than at home, posting a \$4.7 billion profit.

That's why Chinese companies like Pacific Century Motors are investing in the American auto business. Pacific Century in late 2010 bought Nexteer Automotive, which designs and makes steering systems, from GM. Pacific Century kept Nexteer running in Saginaw, Mich., because that's where the talent and expertise are.

It's a win-win situation.

Faster global connections allow those win-wins to happen. Connections help businesses expand their access to a wider world of ideas and enterprises, giving every business the ability to have global impact from Day 1. Technology allows people in far corners of the world to work together as if they were in the same room, creating opportunities for new global business models to emerge.

"We have created a lot of jobs here and in other countries with this product," says Scott "Woody" Woodworth, the

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"We have created a lot of jobs here and in other countries with this product."

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founder of Loudmouth Golf, a line of clothing for golfers that is as colorful as its name implies. In this company with no headquarters, sewing jobs are created in China's factories while sales and technology jobs create opportunity in the United States.

Loudmouth started producing in China in 2008 and did \$751,000 in business, all through internet sales. A year later, the addition of wholesale sales drove revenue to \$2.4 million. Sales

for 2011 are projected at \$12.5 million, and the company has distribution depots—and jobs—on six continents.

And it's all done with a new business model with little inventory that requires a fast-moving supply chain. Opportunity exists all along this supply chain, from the California homemaker who fills orders while her children are in school to the tailor in China who cuts and sews custom sports coats.

The new norm of rigid control of inventories is possible only in a world of reliable logistics. For decades, we've enabled business models that rely on speed. Today, through our technological and organizational innovations, we don't just help business models evolve; we create new ones.

We are more than a shipping company. We catalyze global commerce, helping businesses find and seize opportunity in a changing world.



Odie Pruitt is a manager of Nexteer Automotive's main manufacturing plant in Saginaw, Mich. Nexteer was on the brink of collapse, then was saved by a deal with China's Pacific Century Motors. Nexteer designs and manufactures steering systems for automakers the world over. Pruitt is the second of three generations of Pruitts to work in the plant.

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FedEx plays a role in the Access Effect: the jobs and prosperity that come to communities when their businesses can connect to the global marketplace.

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A Clinical Pak, designed by FedEx Health-care Systems to carry critical medical items.

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In some corners of the world, we are delivering medicines never before available.

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## A Matter of Degree: Moving Medicine Farther, Safely

Karl Kussow reads the fine-print instructions for medicines. Very carefully.

“Some bottles come with a whole book of instructions on how to care for that pill,” he says. “Temperature is almost always a part of that.”

As the pharmaceutical and healthcare industries expand rapidly, a global FedEx team is developing very specialized capabilities to serve this market, improving healthcare services and supplies around the world. Advances in temperature-controlled shipping combined with our worldwide network enable us to ship medicines to benefit physicians and patients everywhere, thus bringing new healthcare opportunities to people in remote locations.

In some corners of the world, we are delivering medicines never before available. We’re also using our speed and technology to connect labs producing generic drugs in emerging markets like India to patients everywhere.

“As the largest air cargo network in the world, we are better equipped to get things from here to there, fastest and with the greatest care,” says Richard Smith, Managing Director of Life Sciences and Specialty Services at FedEx Express. “The biggest issues are time and temperature, and we can be there every step of the way.”

Healthcare spending is growing around the globe. The shipping costs alone are more than \$24 billion. Our response to this critical and growing market is FedEx HealthCare Solutions, an innovative and customizable portfolio of leading-edge tools to meet packaging, shipping, monitoring and distribution needs of our healthcare customers.

Smith and Kussow (who manages Quality and Validation at FedEx Custom Critical) lead teams that develop and test shipping innovations for the healthcare industry. They take their work very seriously.

“Your children or mine might be taking one of these medicines,” Kussow says, “so it’s important the pills work when they arrive at the doctor’s office.”

At FedEx Express, we’ve pioneered two game-changing ideas for temperature-sensitive freight: Deep Frozen Shipping Solution and Thermal Blankets. The newly developed Deep Frozen Shipping Solution maintains cryogenic temperatures, twice as cold as dry ice, but safer to use and more environmentally sensitive. We also introduced the use of Thermal Blankets to maintain comfortable temperatures during aircraft loading and unloading.

Other services—air-conditioned aircraft, enhanced security and state-of-the-art monitoring services such as SenseAware and FedEx Priority Alert—help ensure the integrity of these important shipments. SenseAware makes in-transit information—a package’s internal temperature, exposure to light and its location—available to customers via the web in near real-time.

We also stand ready with contingency plans for disruptions caused by anything from customs delays to weather delays. With our own team members involved in every link of the process, we’re able to get drugs like meningitis vaccines, malaria drugs and H1N1 flu vaccines to India, Southeast Asia and parts of Africa.

“In some areas, if you ran out of medicine, it could be six weeks before a new shipment arrived,” Smith says. “In some cases, certain medicines simply couldn’t get there. We’re making it possible to get what you need, when you need it and in the right condition.”



## Trade and the Environment: What's the Connection?

It seems like a contradiction: the idea that expanding trade and improving the environment can be mutually beneficial. But studies are beginning to show that policies and practices that protect the environment can also augment trade competitiveness.

To help provide essential data, we sponsored a Yale University study to analyze the complex relationships between trade and the environment. The report examines the competing theories, reviews the data and establishes a model for future research.

The Yale study suggests that expanded trade and pro-trade policies appear to improve overall environmental health, but sometimes put pressures on specific ecosystems.

We believe it's important to understand consequences and trade-offs. That's why we also supported the 2010 Yale Environmental Performance Index, an analysis of environmental performance in 163 countries and a source of critical information for policymakers working to improve environmental sustainability.

We want to serve everyone, everywhere, with a full understanding of what it takes to create opportunity and preserve our resources simultaneously.

## In This Case, Bigger Is Better

In a world in which lean is good, can a 766,000-pound airplane provide solutions? That's what we're seeing in the Boeing 777F, a gentle giant that makes a big difference.

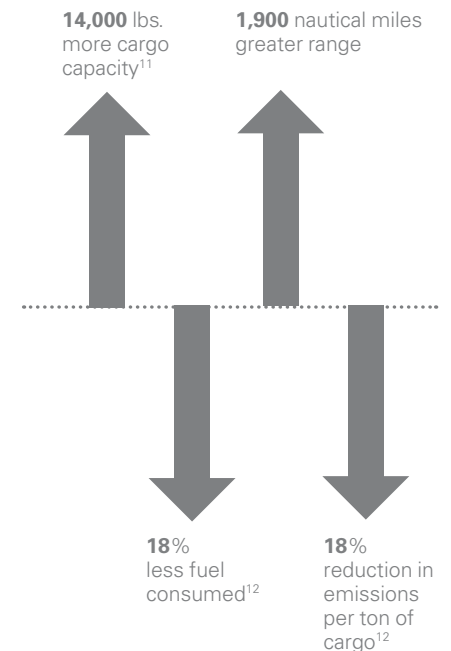
The "Triple Seven" is already increasing access to new Asian markets while reducing operating costs and environmental impact. In March 2011, we added a new 777F route, connecting our World Hub in Memphis to South Korea with four nonstop flights a week.

As companies tighten inventories and depend on just-in-time deliveries of supplies and finished products, the Boeing 777F gives businesses a competitive edge when every minute counts. The plane carries 178,000 pounds of cargo more than 5,800 nautical miles nonstop. It uses 18 percent less fuel than the aircraft it is replacing while reducing emissions per ton of cargo.

We've just added 6 more 777Fs, increasing our fleet to 12—on track to having 45 in service by 2020. At the same time, we are replacing our Boeing 727s with 757s, which have 47 percent lower fuel consumption per pound of revenue payload and lower maintenance costs.

More efficient planes are one important way we keep global businesses connected while conserving fuel and preserving the environment.

## Benefits of the 777F Compared With the MD-11





# IMPROVING HOW PEOPLE CAN LIVE

The world is changing fast, and we face big questions: How can we adapt our operations to the needs of local markets and the global economy simultaneously? Where will we find the innovations we need to prosper? How do we give our leaders (and the leaders of tomorrow) new ways to look at a swiftly changing world? FedEx has a great advantage as we look for answers: a global work force of more than 290,000 team members serving more than 220 countries and territories. We are never at a shortage for diverse ideas, talents and perspectives.



Antje Schütt-Fahrenkrog, now Regional Vice President of Operations for Central and Eastern Europe and Israel, helped teach a global company the value of local leadership.

## Global Culture Meets Local Culture, and Flourishes

Eighteen years ago, David Bronczek, now FedEx Express President and CEO, had just become senior vice president for our operations in Europe, the Middle East and Africa. Dissatisfied with the company's performance in these countries, he pushed for change.

Antje Schütt-Fahrenkrog, then a senior manager of customer service, was at a meeting where Bronczek delivered a clear message: Business performance was unacceptable. "I was furious about the too negative picture he painted about German FedEx management," Schütt-Fahrenkrog recalls. "I had steam coming out of my ears."

That steam propelled FedEx Express toward a local-leadership model that quickly turned performance around in Germany, and eventually helped FedEx earn spots on "Best Places to Work" lists in more than 20 countries.

"Our local people knew they were not performing well," Bronczek says today, recalling the early 1990s in Germany. "They said they could do better, but they didn't have a voice. We learned we had to work alongside the local culture."

At that pivotal meeting, Schütt-Fahrenkrog saw culture clash as the root of the problem. "I knew there were ways to overcome the differences if the local management could just be heard," she says today. So that night, she sent an email to Bronczek saying exactly that.

Schütt-Fahrenkrog's phone rang at 7:30 a.m. It was Bronczek's office asking her to come to Brussels. She had no time to prepare. Her presentation was 15 sheets from a flip chart pinned on Bronczek's office wall.

Her message: FedEx needs local people who have been exposed to the FedEx philosophies and culture, but who also carry valuable knowledge of local cultures and mentalities.

If Schütt-Fahrenkrog was anxious about speaking up, it evaporated when she sensed Bronczek and the assembled executives were interested in her ideas. The conversation went on for four hours and led to real change.

Talented local leadership paired with a strong corporate culture turned out to be a powerful mix, Bronczek says today. "You can't be successful if you don't have the combination of the two," he says. "You have to embrace the corporate culture as well as the local culture."

Although Schütt-Fahrenkrog respects the local view, she also sees that creating Access across national borders requires a global mentality that allows people to see beyond their native cultures.

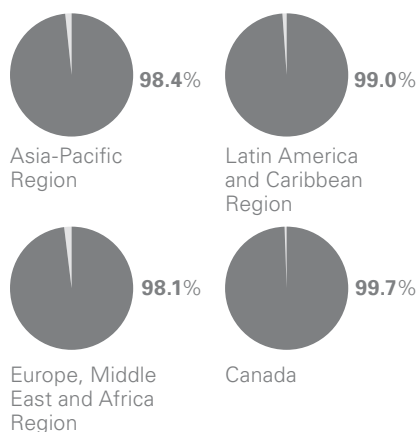
Schütt-Fahrenkrog, who started with FedEx as a data-entry clerk 25 years ago, is now Regional Vice President of Operations for Central and Eastern Europe and Israel. And what started as a local leadership initiative in Germany became the new standard for our company.

"We vigorously defend our corporate culture," says Bronczek. "We mesh it with the local culture, and it works beautifully."

Schütt-Fahrenkrog's passion for blending international cultures and her courage to press the case are characteristics that help us in our continuous efforts to recruit talented local people and, above all, to listen to them.

"The FedEx culture and people are perfectly fitted to match any other nation's culture," says Schütt-Fahrenkrog. "But it doesn't happen by itself. It requires energy, direction, communication and, above all, leadership."

### Percentage of Management & Executives Who are Local



## Impact of Ground Green

46 million lbs.  
recycled

25%  
decline  
in waste  
removal cost

## "Ground Green" Cuts Waste at Our Hubs

Mike Vickers wanted answers: How much waste did we generate in one facility? Across a district? Could we recycle any of it?

So Vickers, Managing Director for FedEx Ground Desert district, turned to Eric Pagano, Senior Manager in Tempe, Ariz., to develop and implement new sustainability efforts in their district. Pagano's team worked with a local vendor to identify and segregate waste that can be reused or recycled, minimizing the waste going to landfills. The team identified facilities where they could install bailers to compact and ship out recyclable cardboard, paper and plastic film. Shredders were installed at various facilities to shred cardboard for reuse.

Now, FedEx Ground shreds material that used to go to landfills and reuses it for packing, which saves money and materials by reducing the need for bubble wrap and packing peanuts. We also use plastic bags to transport small items, and then recycle these bags to make new ones.

"We leverage our entire network, and empower every hub and station in the district to participate," says Vickers.

Pagano's and Vickers' leadership has generated 170,000 pounds of recycled materials since 2006, the official launch of "Ground Green." As a part of the networkwide recycling program, the Desert district realized a 25 percent reduction in waste-removal costs. As of June 1, 2010, FedEx Ground had recycled more than 46 million pounds of paper, cardboard, scrap metal and plastic film.

Vickers' team is not stopping there. They are searching for ways to meet a very ambitious long-term goal: zero waste to landfills.

## A New Generation of Global Entrepreneurs

With nothing more than colored chalk, a group of African teenagers created a portrait of a brighter future.

The honor of winning the first Africa Region Junior Achievement Company of the Year award went to a group of teen entrepreneurs from Lusoti High School in the Lubombo Region of Swaziland—not for their use of colored chalk, but because of their successful business venture to become the only producers of chalk in their country.

Expanding the competition to Africa marked another milestone in our company's 14-year relationship with Junior Achievement, the world's largest organization dedicated to inspiring and preparing young people to succeed in a global economy. We sponsor JA's Company of the Year regional competition in Europe, the Middle East, North America, Africa, Latin America and Asia-Pacific, setting the stage for the teenagers of today to become the entrepreneurs of tomorrow. We also award the FedEx Access Award, given to a student company that best demonstrates an understanding of global trade and sustainability.

## Scholarship Opens Doors for Hispanics

Only one in eight Latinos has a college degree, the lowest rate of any ethnic group in the United States. We're helping to change that.

To provide opportunity to the leaders of tomorrow, we support the Hispanic Scholarship Fund, an organization dedicated to increasing the graduation rate of Latinos in America. In the six years we've been involved, we've invested in the college educations of nearly 30 students.

Ed Andujar, Managing Director and Controller for our Latin America and Caribbean region, credits the Hispanic Scholarship Fund for supporting him during his time in business school. Now a leader at FedEx, Andujar encourages families to take advantage of the fund. In town hall meetings, students and parents learn how to apply, select and pay for college. Most students who attend the meetings will be the first in their families to go to college.

"Students might not really know what's waiting for them in college, or what's expected of them in corporate America when they graduate," says Andujar. "It makes me feel proud to say I am a product of the fund and how committed FedEx is to it."

## Restoring Rewards for Team Members Who Keep Us Rolling (and Flying)

We could not efficiently meet the demands of a global marketplace without our team members' diverse backgrounds, talents and perspectives. Having a truly global work force, with all the diversity that phrase implies, creates incredible value in an evolving world. Our people understand the cultures and marketplaces where they work every day, and they understand how local businesses link to the global marketplace. Because they do, they drive our success.

Those contributions deserve reward, and this year, we were pleased to restore many compensation programs and 401(k) matching contributions after cuts were made to weather the economic downturn. We also continued a long tradition of being named one of the best companies to work for in the world, receiving awards in 21 countries, including Brazil, Chile, France, Italy, South Korea and Mexico.

"The FedEx reinvestment in employee programs shows the commitment to the loyalty, capacity and development of your employee base," says Judith F. Samuelson, Executive Director of the Aspen Institute's Business and Society Program. "It is common sense, but it seems so extraordinary when it happens."

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### Best Places to Work Recognition (January 1 – December 31, 2010)



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#### 2011 HIGHLIGHTS

Aon Hewitt  
"Best Employer Award" Malaysia, New Zealand and Singapore

Aon Hewitt  
"Best Employer for Women Award" Korea





# FINDING BETTER WAYS TO MOVE THE WORLD

We spend a lot of time looking for imperfections. Why? Because every time we find one and fix it, we make our business more efficient—and we make global commerce move faster. Every new efficiency helps our business, expands global marketplaces and, ultimately, makes the world more sustainable. When businesses find ways to do more with less, the effect on the world can be significant.



Packages speed through our hub in Bedford Park, Ill.

## A More Efficient System



drop-frame trailers

+

Quality Driven Management

=

# 2,500

fewer trailers on the road

### ESTIMATED SAVINGS

# 70

million miles not driven

# 10

million gallons of gas saved

## Sorting Smarter

Sometimes faster isn't faster.

Efficiency trumps speed, whether we're sorting, loading, unloading or hauling packages. Improving efficiency lets us move more freight, faster, in a more environmentally responsible way.

In the U.S., we use new technology and our Quality Driven Management (QDM) system to make sure our operations maximize efficiency. In Asia-Pacific, we've re-engineered our station operations to ensure we're efficient as well as reliable.

"We are constantly looking for new technologies and materials that will help us be more efficient," says Mark Bitzer, Senior Manager of Process Engineering for FedEx Ground. "Everything from how we handle the package to how we load the truck plays a role."

FedEx Ground uses the QDM process to improve efficiency. One example is technology we developed to help FedEx Ground get the most possible shipments into line haul trucks—18-wheelers that move packages from one FedEx facility to another.

The system scans every package to measure its dimensions, and with every load, we know what percentage of the trailer's capacity was actually used. That information helps us train team members who load trailers, which leads to better utilization of trailer space, which in turn leads to fewer trucks on the road, less wear and tear on vehicles and less fuel consumed.

Also, using drop-frame trailers allows each vehicle to carry 12 percent more shipments than the more typical straight-rail trailer. Drop-frame trailers take advantage of the space between the front and back wheels, maximizing our load.

It's a true triple win: Over the course of an entire year, those additional

packages per trailer translate into 2,500 fewer line haul trailers on the road. We're saving 70 million road miles annually. And we're using 10 million fewer gallons of fuel every year.

"By maximizing trailer capacity and continuously improving our route structure to reduce miles, we reduce our fuel costs and help the environment," says Severn McMurty, Senior Vice President of Operations Planning and Engineering at FedEx Ground.

In Asia-Pacific, most stations now use Model Ops, a FedEx Express-designed program improving the way packages move through each step of the pickup and delivery process. We overhauled in-station planning and work methods, and the routes are reviewed regularly to see what changes will make them more efficient.

"We taught our team members about route restructuring," says Karen Reddington, Managing Director for Planning and Engineering Support. "We taught them how to have a balanced workload."

How FedEx Express sorts packages is a key element of Model Ops. Changes were made to how sorting is handled in both the morning and afternoon cycles, allowing our couriers more time for delivery. And when couriers spend more time on the road, we can deliver more packages with fewer trucks.

It's working: The 12 stations in the Asia-Pacific region that piloted the Model Ops program now handle 15 percent more packages per hour than they did in 2007.

From sorting packages to delivering them, we strive for efficiencies that will help our business and our planet.

"The goal is not to work harder or faster," Reddington says. "The goal is to deploy resources more effectively." And that's smarter for our people and the environment.



Key chains for our delivery vehicles carry tips to help couriers save fuel as they travel.

## It's Not Just the Truck and the Traffic. It's the Driver, Too.

When we use less energy, we accomplish two goals: We make our business more efficient and profitable, and we save precious resources. So we look at energy consumption from every possible angle.

Consider our delivery vehicles. We know that three things affect how much energy you use when driving: what you're driving, where you're driving and who's driving.

So, every year, we put more efficient vehicles on the road. We use technology to change our routes as daily traffic patterns change. And we teach our team members to drive better.

For 13 years, FedEx Express operations agent Masateru Yahagi has navigated the clogged streets of Tokyo to get to work. Yahagi is one of hundreds of team members participating in Eco-Driving, a program in the Asia-Pacific region designed to lower our vehicles' effect on the environment by changing daily driving habits.

"I have changed the way I drive," says Yahagi, who began his FedEx career as a courier and now supervises fuel consumption for all drivers in Japan. "I understand more about the impact my driving has on the environment."

Jeremy Goldstrich, Managing Director for Ground Operations for Japan, Guam and Saipan, agrees. "Using fuel is the nature of our business," he says. "If you have engagement and awareness from the front line to the executive level, you can make a huge difference."

Goldstrich is part of a team that collaborated with Isuzu Motors to create Eco-Driving. The program will soon launch across Asia and, eventually, around the world. Using Isuzu's

research, the FedEx team identified about 20 actions to decrease a vehicle's emissions, such as gentle acceleration, flat speed, early-off acceleration, the careful use of air conditioning and the reduction of idling time.

"The program is successful because of its simplicity, its versatility and the fact that it connects to what they're doing—driving the vehicle," says Goldstrich.

With Eco-Driving, the responsibility to reduce emissions begins with our drivers. If they learn and teach new habits, the program will be a success.

Couriers in Japan spend about 70 percent of their time in vehicles, driving about 60 miles a day and making up to 30 stops. Reminders of Eco-Driving are visible where it matters—in the vehicle itself. Drivers use key chains that display the five principles, and Eco-Driving stickers are popping up in prominent places in most of the trucks.

And it's working. Since the program began about 18 months ago, fuel efficiency has improved by 5 percent at the largest station in Japan, which has 150 routes.

We teach Eco-Driving in the community, too. We do Eco-Driving seminars for all our team members in the stations where the program is in place, and extend invitations to the community to participate.

"FedEx has many programs that focus on efficiency. Some are huge, costly endeavors that have a positive impact on the environment," says Goldstrich. "We're doing the same thing with Eco-Driving, but on a very personal level. It's about how each of us can contribute every single day. The cumulative impact can be enormous."

*(For more on our work to help the people of Japan following the record earthquake, see Page 39.)*

## On City Streets, the Shortest Distance from A to B Changes Daily, But ROADS Can Find It

We get up early. By 4 a.m. every day, we're already planning how to drive less and deliver more.

Well before dawn, critical information begins to stream into each of our stations: What kind of packages are we getting from that day's flights? How many will there be? Where do they need to go?

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"With more planning on the front end, we're able to use fewer routes and drive less. We're doing more than saving time; we're learning to make better decisions."

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To provide answers, a complex technology called Route Optimization and Decision Support (ROADS) helps us streamline everything in our FedEx Express operations, from sorting to delivery. Each piece of the puzzle is important, right down to where a package sits on a truck. It's part of our commitment to move more things with less fuel.

Because delivering packages to the world represents about two-thirds of our costs, we aim for the perfect alignment of people, processes and technology to reduce those costs as well as our environmental footprint. That's where ROADS comes in.

"With more planning on the front end, we're able to use fewer routes and drive less," says Kirsten King, Managing Director of Engineering Support and Analytics. "We're doing more than saving time; we're learning to make better decisions."

With the computer-assisted planning provided by ROADS, station managers can adapt territories daily. No matter the volume of a day's incoming packages, ROADS synthesizes information to help station managers chart the most efficient day possible. Using historical data, ROADS creates "what-if" simulations to inform decisions and adapt zone boundaries.

ROADS works by compiling information in a central place and making it accessible to the team members who need it. ROADS makes training new team members easier, providing information they need immediately to make efficient decisions under the pressure of deadlines.

We've found ROADS to be particularly helpful when weather disrupts the region managed by a station. Our engineers can use these planning tools to redraw territories and increase the reliability of delivery in areas affected by tornadoes, snowstorms or flooding. And we're working on making the system even smarter, automating daily tactical decisions, which allows us to accommodate the specialized needs of individual customers.

Ideally, those customers will never notice the new system. They'll just see its benefits: greater reliability and versatility.



Our Route Optimization and Decision Support system ("ROADS" for short) helps us figure out how to direct every delivery to its destination in the most efficient way.





FedEx World Headquarters in Memphis, Tenn.



Enterprise data center in Colorado Springs, Colo.

## LEED-Certified Complex in Las Vegas Saves Big

Here's a winning formula: Technology + Innovation + Commitment = A Healthier Environment.

Our EarthSmart Solutions program has applied this formula to new construction. The FedEx Express facility in Las Vegas in December 2010 became the first in the company to receive certification by Leadership in Energy and Environmental Design (LEED®), the U.S. Green Building Council's system for rating the environmental performance of buildings. Since then, our FedEx Express World Headquarters in Memphis and our enterprise data center in Colorado Springs, Colo., have received certification.

Today, two FedEx Express stations in Houston are awaiting certification. FedEx Express has made LEED certification the standard for newly built U.S. facilities.

The Las Vegas complex (a package-sorting facility, vehicle maintenance bay and an office building) scored several successes by:

- Reducing indoor water use 49 percent through low-flow fixtures
- Installing skylights and evaporative cooling
- Recycling 86 percent of construction waste
- Ensuring that 75 percent of the regularly occupied spaces are sunlit

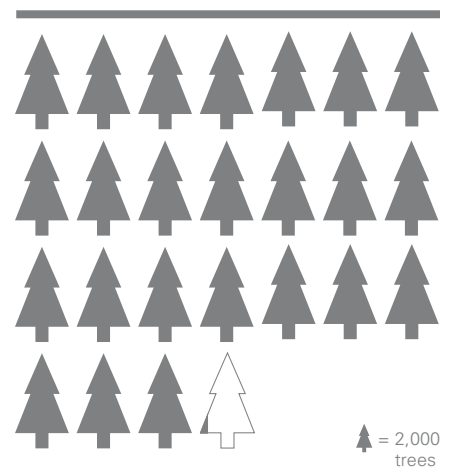
Overall, energy savings are estimated to be 42 percent.

## Planting Trees, Planting Knowledge

One tree at a time. That's how we help Canada's environment.

Through a program called Greening Canada's School Grounds, FedEx Express Canada has sponsored the greening of more than 37 school grounds across the country. More than 200 volunteers from the company have participated in one of the company's first EarthSmart Outreach programs.

The focus is broader than simply planting trees and shrubs. It plants knowledge within students, teaching them the value of energy saving, carbon sequestration and beautification. The program works with Tree Canada, a nonprofit organization encouraging Canadians to plant and maintain trees. So far, Tree Canada has planted more than 77 million trees. FedEx Express Canada has also supported reforestation programs across Canada, especially in provinces hard hit by forest fires.



We have been responsible for the distribution and planting of 48,106 trees since the start of our collaboration with Tree Canada.



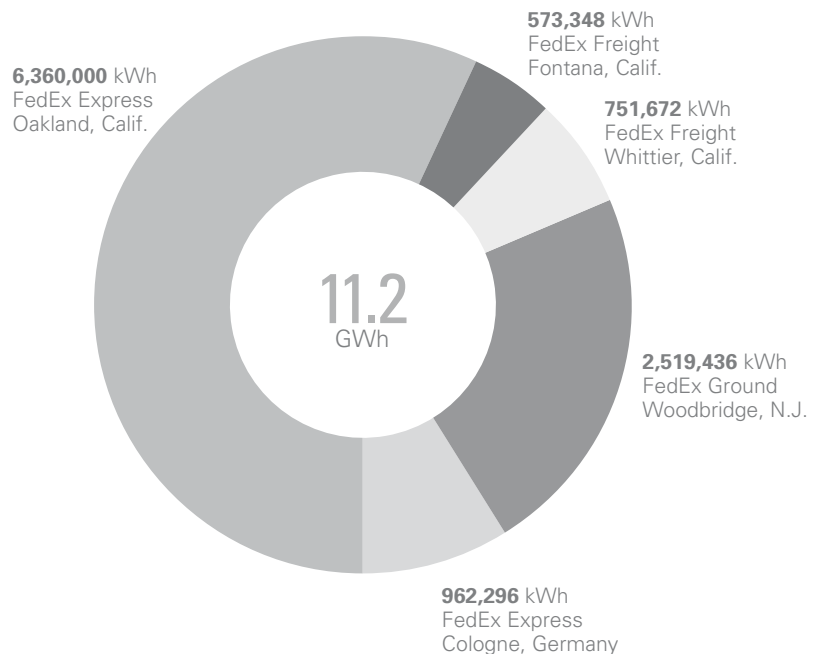
## Solar Power Earns Big Efficiencies in Operations and Energy Use

The roof is big. With almost four soccer fields' worth of shining solar panels that produce enough electricity to service 80 homes for a year, the new Central and Eastern Europe hub at Germany's Cologne-Bonn airport is the largest FedEx Express solar installation, in size, worldwide.

"This solar-powered facility is the latest renewable energy example of our commitment to responsibly connect the world for our customers through innovative solutions," says Mitch Jackson, Vice President of Environmental Affairs and Sustainability.

Cologne is the newest of five FedEx solar facilities. By using solar energy at these locations (Cologne, plus three in California and one in New Jersey), we'll reduce our annual carbon dioxide emissions by about 3,918 metric tons, the equivalent of more than 440,000 gallons of gasoline never burned or more than 100,000 tree seedlings growing for 10 years. And the Cologne hub expands our access to markets in Europe and the Middle East.

Electricity Generated by Solar Facilities to Date





# SOLVING TOMORROW'S PROBLEMS

We believe the smartest way to innovate is to build on what we learn. With delivery trucks moving around the world's most congested cities every day, we learn a lot about cities' transportation patterns, how to move through them more efficiently and how to cut fuel consumption. We use what we've learned to innovate within our own operations—and in collaboration with others. We help countries improve public transportation and envision the modern infrastructure they need. And we develop and advocate for new technologies that help us move our fleet (and the world) off fossil fuels.



One of 43 FedEx Express all-electric trucks operating in the U.S. and Europe.

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We're pushing for more performance from all-electric delivery vehicles. Says Fred Smith: "Another 50 miles of range or power and cutting the battery cost in half, and you really have a compelling, disruptive technology."

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## Bold Leadership on Electric Vehicles

"After terrorism and the proliferation of weapons of mass destruction, our increased dependence on petroleum represents the biggest single threat to our nation's economy and national security."

Frederick W. Smith, our Chairman, President and CEO, delivered those words to the U.S. Senate Appropriations Subcommittee on Energy and Water Development in February 2010. Many business leaders shy away from addressing tough issues, but our chairman speaks up. He tirelessly advocates for the dramatic change needed to let the United States fuel itself.

Smith is the co-chairman of the Energy Security Leadership Council (ESLC) and a member of the Electrification Coalition, two organizations facing petroleum dependency head on.

FedEx daily delivers more than 8.5 million packages and shipments to more than 220 countries and territories. We do this with more than 290,000 dedicated team members, 679 aircraft and about 70,000 ground vehicles worldwide. Those facts make Smith highly credible when he speaks out about U.S. dependence on oil.

The ESLC, an arm of Securing America's Future Energy, is a group of business, military and political leaders who assert that freedom from dependence on oil is an overarching national security and economic security issue. It echoes the stance of the Electrification Coalition, a nonpartisan, not-for-profit organization committed to promoting policies and actions that will encourage the widespread use of electric vehicles.

We helped the Electrification Coalition create the Fleet Electrification Roadmap, which analyzes the economics of electric vehicles for fleet operation and targets opportunities

for models that will help this idea take hold. The Roadmap places an emphasis on reducing the production cost of the batteries required to operate electric vehicles and balancing the use of the Earth's resources.

Smith also recognizes that we have work to do within our own company: Out of 70,000 vehicles, only a few hundred are all-electric or hybrid-electric vehicles. Capital costs are daunting, but we are taking steps in the right direction.

We now have all-electric delivery vehicles in use in Los Angeles, Paris and London, and we will be introducing all-electric delivery trucks to New York City, Chicago and Memphis in 2011.

The Los Angeles trucks have a range of about 100 miles on a single charge, perfectly adequate for many pickup and delivery routes in dense urban environments. But adequate is not our goal. We're pushing for more. "Another 50 miles of range or power and cutting the battery cost in half, and you really have a compelling, disruptive technology," Smith said.

What's ahead? We'll continue to work on solutions, including legislation and regulations that make change a reality. We'll keep sounding the call that it's time to start the shift to electric vehicles, with videos and other communications tools. And we'll continue to lend our practical experience to shape an industry and create a new way of fueling America.



A Metrobus moves quickly past stalled traffic in Mexico City.

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We want all of industry to benefit. And developing a hybrid-electric fleet has put us in collaboration with various state and federal agencies.

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U.S. Secretary of Energy Steven Chu with Keshav Sondhi, Chief Engineer of our electric vehicle program.

## Untangling Traffic Jams With EMBARQ

They're called "arrival cities," the great sprawling areas surrounding metropolitan giants like Mumbai, India, Rio de Janeiro and Chongqing, China. Millions more people arrive each year, looking for ways out of poverty. But traffic congestion that borders on coagulation obstructs the quest for prosperity.

"Many of the countries we serve in the developing world have been experiencing substantial economic growth," says Mitch Jackson, FedEx Vice President of Environmental Affairs and Sustainability. "Growth means more prosperity and opportunity. But with this growth has come congestion from vehicles."

That's why we contribute our expertise and financial support to EMBARQ, a nongovernmental organization helping cities design safe, efficient and environmentally responsible transportation networks that deal with the challenges of traffic congestion and pollution.

"The collaboration between FedEx and EMBARQ provides the potential for a better environment, less congestion, increased safety and enhanced competitiveness in cities where we do business," Jackson says.

Given our extensive knowledge of vehicle technologies and traffic patterns in the world's cities, we believe we have much to contribute. Our first major project with EMBARQ allowed us to share our expertise with Mexican transit officials looking to improve how they manage fleets of buses that number in the thousands.

In one example of our work, Keshav Sondhi, Chief Engineer for Global Vehicles at FedEx Express and the program manager for electric vehicles, helped Mexican transit

officials understand how to manage the life cycle of each bus in their Bus Rapid Transit (BRT) fleet.

BRT operates buses like trains, moving them along special corridors and stopping only at special stations. In Mexico City, BRT carries more than 450,000 riders daily, more than half the volume of the entire Metro system in Washington, D.C. The benefits are immediate: BRT takes thousands of cars off the road and in 2010 eliminated about 114,000 tons of carbon dioxide pollution.

"Getting this opportunity to share what we've learned at FedEx with global communities is great because it will have an effect on countless lives," Sondhi says.

Ethan Arpi, EMBARQ's Strategic Communications and Marketing Manager, says, "What FedEx was able to do was explain some principles of matching the technology to the objective: If you're trying to achieve this result, you should consider this kind of technology; if you want another result, you should choose this type of fuel."

Our contributions of experience and skill do more than boost the well-being of customers and citizens in communities we serve. They also help our own team members. More than half of our team in Mexico uses public transportation to get to and from work each day.

## Experimenting With Everything That Moves

Innovation is usually the outcome of countless trial-and-error experiments. Vehicles are a good example. If a truck is too big for the job, its efficiency is wasted. If the route that truck follows is poorly designed, potential fuel savings will be lost.

Innovation requires more than good ideas; it takes continuous experimentation at every step of our long delivery chains. This learning leads to better solutions, for us and our industry.

In hybrid and all-electric technology, our research falls into two broad categories: developing the best vehicles and creating the supporting infrastructure. We experiment with new vehicles and retrofit older units with electric or hybrid drive trains as conventional diesel engines and transmissions wear out. Building an infrastructure to support all-electric trucks includes designing intelligent charging stations.

Innovation sometimes means “unlearning.” For years we assumed hybrids would outperform all diesels. But some newer diesels, like our 5,500 (soon to be 9,500) Mercedes Sprinters, are outperforming gasoline hybrids—and they’re less expensive.

We want to do more than generate new knowledge for ourselves. We want all of industry to benefit. And developing a hybrid-electric fleet has put us in collaboration with various state and federal agencies. We’ve also teamed up with international and domestic manufacturers to produce and operate new hybrid-electric vehicles.

We’re also testing all-electric ground-support, including cab-forward cargo tractors and updated belt loaders and cargo loaders. We experiment with everything that moves to make it more efficient. That’s how we learn.

## Fuel-Cell Forklifts? We Can Do That.

Sustainable energy, like safety, is not an option. It’s how we do business.

For decades our forklifts, the indispensable workhorses of fast-paced dock operations, have been powered by propane. Electric power seemed promising in early tests, but batteries were expensive, lasted only three years and took nearly 16 hours to charge properly.

Could hydrogen fuel cells be an answer? Our commitment to energy savings through innovative technologies led to collaborations with a fuel-cell manufacturer, a hydrogen supplier and the U.S. Department of Energy. The result was the successful retrofitting of the 35-unit forklift fleet at our Springfield, Mo., facility with fuel cells. The forklifts can refuel and be back in service in minutes.

After more than 14,000 hours of operation without major interruptions for service, the units are performing beyond expectations. The experiment demonstrates the technology’s power to lower costs and our ability to make sustainable energy viable. Clean air is good business.

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Each hydrogen fuel-cell forklift in service represents a reduction of 3.9 metric tons of greenhouse gas (GHG) emissions on an annual basis.

1=3.9

fuel-cell  
forklift

metric tons of GHG  
emissions reduced

## Collaboration Improves Our Industry

Air freight companies compete vigorously, but through an international association, we also collaborate in a powerful way. David Bronczek, FedEx Express President and CEO, is the current chairman of the Board of Governors for International Air Transport Association (IATA), a global trade association representing 230 passenger and freight airlines.

“More than anything else, we want to work together to make the airline industry as safe as it can possibly be,” Bronczek says. “As an industry, we’re trying to become more financially successful while introducing new technologies, becoming less dependent on oil and reducing an airplane’s carbon footprint.”


IATA’s members carry more than 90 percent of the world’s passengers and freight. An important initiative for the association is building support for updated air traffic control systems for the European Union and the United States.

“Right now, each European country has their own system, making it difficult to quickly fly through nine different air traffic control systems,” Bronczek says. “Converting to one system will reduce delays, improve customer service, save fuel and emit less carbon.”

In the United States, this effort is centered in NextGen, a Federal Aviation Administration initiative that, pending federal legislation, will streamline air traffic control in this country. Today’s airplanes, such as the Airbus A380 and the Boeing 777F, are already equipped to handle a more modernized air traffic control system.

Through IATA, we’re working with government and industry leaders to build support.





# THINKING OUTSIDE THE BOX

With size comes responsibility. A company like ours—more than 290,000 people running the world's most powerful and versatile shipping and logistics networks in more than 200 countries—has a responsibility to use our size, scale and global reach to benefit people. Not just our team members. Not just our customers. Not just our shareowners. But everyone. We can use our scale to attack the world's challenges in ways that make a real difference. And when disasters hit, we can adapt our networks to provide what's needed, when it's needed.



FedEx team members in Miami pitched in for our relief efforts in the wake of the earthquake that devastated Haiti.

## Our Global Reach and Unique Expertise Combine to Help When Disasters Hit

Natural disasters can strike anywhere. Casualties often number in the tens of thousands. When people need immediate assistance, we use our unique shipping expertise, global reach and long-standing relationships with humanitarian agencies to help lead a worldwide response.

In Japan, we responded with cash and shipping services to move

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FedEx worked with InterAction—the largest alliance of U.S.-based nongovernmental organizations that focus on the world’s poor—to create a database to track aid projects and needs.

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emergency supplies to victims of the tsunami and earthquake. In fact, in every major disaster in recent years we have put our global network at the service of emergency relief efforts.

In Haiti, FedEx Trade Networks teamed up with Heart to Heart International, sending aid shipments to those affected by the earthquake. FedEx Trade Networks provided two cargo containers filled with donations of medical supplies, bottled water and beds. The cargo containers were then converted into school buildings for Haitian children.

The need for assistance doesn’t stop with the first shipments. Long-term recovery requires the operational scale and logistical expertise FedEx can provide companies and agencies that want to help. The challenge is matching the donor to the need. We can help with that as well, and did so in 2010 when Haiti was rocked by an earthquake that killed more than 250,000 and left nearly 1.5 million homeless.

“In the months following the heartbreaking disaster, we received countless phone calls from the business community,” says Stephen Jordan, Executive Director of the Business Civic Leadership Center (BCLC), an arm of the U.S. Chamber of Commerce. People wanted to know where their companies could help, and how to figure out what would do the most good.

“It became clear to us that we needed a better way to understand where and how financial and in-kind contributions were being allocated,” Jordan says.

The BCLC approached FedEx for funding and expertise, and together we worked with InterAction—the largest alliance of U.S.-based nongovernmental organizations (NGOs) that focus on the world’s poor—to create a database to track aid projects and needs. Haiti Aid Map ([www.haiti.ngoaidmap.org](http://www.haiti.ngoaidmap.org)) launched quickly and began tracking hundreds of projects run by 78 different aid organizations in 139 communities.



Protecting customer confidentiality and helping the environment: A giant paper shredder handles waste from FedEx Office locations.

FedEx Office  
Recycling Snapshot  
(December 2010 – May 2011)

**2,065,567** lbs.  
of paper recycled

**17,557** trees  
saved from being cut down

**7,229,484** gallons  
of water saved

**61,966** lbs.  
of air pollution avoided

**3,098** cubic yards  
of landfill space saved

**4,234,412** kWh  
of electricity saved

**475,081** gallons  
of oil saved

## We Minimize Waste and Maximize Recycling

Nathan Loftice saw big opportunities and big challenges when he began evaluating recycling programs for FedEx Office.

He started by assessing the waste coming out of our 1,800 FedEx Office locations across North America. He quickly determined that about 95 percent of it had the potential for recycling. Big opportunity.

But most of those locations are in retail storefronts not owned by FedEx. And very few have recycling options. Big challenge.

So today, we're waging a war against waste on two fronts: minimizing waste and maximizing recycling.

We started with our team members. Every job they run without an error saves time, money and reduces waste. By engaging them, we were able to reduce waste through better processes.

"Reduce, reuse, recycle," is how Loftice, who serves FedEx Office as Senior Manager of Sustainability and Environmental Affairs, sums it up. "Practically, it means, don't run a job that's going to generate waste. Don't start a job and then walk away and neglect it, then end up having to throw it away. It's about getting the job done right, the first time, on time."

Then, we spent roughly three months building our own paper-recycling infrastructure at FedEx Office locations in North America. In the 200 locations where existing infrastructure allowed "single-stream recycling" (where

recyclable items are separated from other waste after they leave our locations), we were able to eliminate external trash dumpsters, replacing them with recycling dumpsters.

These actions produce not only environmental savings but also cost savings. In these 200 single-stream locations, our efforts to minimize waste and maximize recycling have produced a cost savings of \$300,000. We expect the annual savings to continue at that rate.

The environmental savings? In the most recent six-month period, we've recycled more than 1,000 tons of paper. Every ton of paper recycled saves 17 trees. That equates to more than 17,000 trees saved in six months.

## Making Roads Safer

More than 1.3 million people die every year in automobile crashes. Another 50 million people are injured, many critically. For kids around the world, vehicle crashes—not disease—are the No. 1 cause of death. In the U.S., motor-vehicle injuries are the No. 1 cause of death in the first 30 years of life.

These losses devastate families. And auto-related incidents cause nearly \$100 billion in losses to the U.S. economy every year. Our business depends on the world's roads, so we work hard to make them safer for everyone who uses them.

To do this, we collaborate with Safe Kids Worldwide in nine countries to help reduce the toll. For more than 10 years, we've learned how to make roads safer and created safety programs that communities can maintain.

Despite our progress, an epidemic of traffic deaths and injuries is on the horizon. Vehicular traffic around the world grows faster than the modernization of roads, and will make pedestrian injuries a leading cause of death for all children by 2030 if we do not act now to slow down the epidemic.

The Decade of Action for Road Safety, recently launched by the United Nations, aims to raise awareness and stop the epidemic in all U.N. countries. The Centers for Disease Control and Prevention in Atlanta has defined the crisis as a public health issue, but one that can be conquered with efforts like the Decade of Action. Through Safe Kids Worldwide,

FedEx works toward the common goal of safe roads for everyone.

For example, we sponsor Safe Kids Walk This Way in Chengdu, China. During "International Walk to School Month," the program encourages children to "stop, look and cross" when walking to school.

"Educating children about pedestrian safety raises their awareness about the risks they face on the roads," says Dan Luo, Safe Kids Team Leader for the project. "These informed children can have a positive effect on the adults, too."

Our mission is to apply our shipping expertise to the challenge of creating not only safer highways for drivers, but also safe and accessible walkways for pedestrians. Too often, growing communities overlook the need to create safe spaces for pedestrians as they expand roadways. This is especially true in developing nations, where more than 90 percent of fatal collisions occur. Children are the primary casualties in accidents involving pedestrians.

Safe roads are more than abstract infrastructures. They are essential components of thriving communities. We believe we can use the power of scale to help ensure the world's roads and walkways become valuable community assets instead of hazardous liabilities.



In Shanghai, China, Senior Station Agent Xiaochun Ge teaches pedestrian safety to schoolchildren.

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Investment in Raising Road Safety Awareness (in millions)

\$13.5

Over the last decade, we've invested \$13.5 million in raising awareness about the importance of road safety and child pedestrian safety.



Volunteers carefully loading sea turtle eggs into a temperature-controlled FedEx Custom Critical trailer in Florida's St. Joe Bay during the 2010 Gulf oil spill.

## Turtle Rescue Reroutes an Ancient Life Cycle

As a massive oil spill began spreading toward the U.S. shores of the Gulf of Mexico last year, some already endangered creatures lay helpless in the path of the disaster.

Every spring and summer, huge sea turtles lumber onto the warm beaches of the Florida Panhandle to lay eggs deep in the sand. After the tiny hatchlings emerge from their shells about 60 days later, they use the cover of darkness to cross the beach and enter the ocean. Thirty years later, mature female turtles that have survived the hazards of life return to the very beaches where they were born to lay their own eggs.

The oil spill threatened that ancient cycle. The hatchlings would perish if they swam into the sludgy mess. The solution was simple but untested: Move the nests of eggs across Florida to the cleaner waters of the Atlantic coast.

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"What made this so unique is it really felt like we mobilized the entire FedEx corporation."

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That's where FedEx came in.

"When I told them FedEx could help, my colleagues were practically in tears, they were so relieved," says Michelle Pico, Marine Programs Director at the National Fish and Wildlife Foundation.

A team from FedEx Custom Critical worked with scientists to create special coolers and pallets to secure the eggs for their ride in temperature-controlled

trucks from the Gulf of Mexico to the Kennedy Space Center in Cape Canaveral, Fla., where they finished their incubation.

Pico described the project as "innovation drawn up from desperation." It is also an inspiring story of collaboration. "What made this so unique is it really felt like we mobilized the entire FedEx Corporation," Pico says. "I don't think I've ever worked with a corporate partner where so many different aspects of their business mobilized around one of our projects."

For FedEx, it was more than the logistics of pallets and trucks. The rescue mission inspired extra efforts, including public education to draw attention to the need to protect precious natural resources. "It brought people together," Pico says. "It was good news at what was a really dark time for sea turtles in the Gulf."

Best of all, it was a story with a happy ending. In all, 14,700 hatchlings (almost 60 percent of the 25,000 eggs we transported) successfully crossed the beaches and swam into the Atlantic Ocean.





A loggerhead hatchling makes the perilous journey from its nest to the ocean.

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A happy ending: Almost 15,000 of the sea turtle hatchlings whose eggs had been relocated by FedEx during the Gulf oil spill made it safely across Cape Canaveral beaches and into the Atlantic.

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## FEATURED TEAM MEMBERS

The FedEx global team is more than 290,000 people strong. We are proud to use this book to picture just a few of the people who create the connections and innovations that change people's lives for the better.

### COVER

Ronald Johnson, FedEx Freight (Richfield, Ohio)

### PAGE 1

Guilherme Gatti, FedEx Express (Miami, Fla.)

### PAGE 2

Christine Minidoque, FedEx Express (Paris, France)

### PAGE 3

Fanlun Meng, FedEx Services (Memphis, Tenn.)

### PAGE 4

Theresa Haney, FedEx Express (Miami, Fla.)

### PAGE 5

Arthur Miguez, FedEx Express (Miami, Fla.)

### PAGE 8

(shown: top left to right) Thanh Anderson, FedEx Services (Memphis, Tenn.); Orica Seaberry, FedEx Ground (Richfield, Ohio); Dorothy Moses, FedEx Custom Critical (Richfield, Ohio); Ashley Praytor, FedEx Express (Miami, Fla.); Julio Colomba, FedEx Express (Miami, Fla.); Yone Boutsingkhram, FedEx Express (Paris, France); Jamal Baali, FedEx Express (Paris, France); Lu Wang, FedEx Services (Memphis, Tenn.); Simon Jenkins, FedEx Office (Richfield, Ohio)

(cropped: top left to right) Elizabeth Mazier, FedEx Services (Memphis, Tenn.); Paul Sojda, FedEx Ground (Richfield, Ohio); Justin Hudia, FedEx Custom Critical (Richfield, Ohio); Russ Ortman, FedEx Freight (Richfield, Ohio); Brian Bowser, FedEx Ground (Richfield, Ohio); Katie Costigan, FedEx Custom Critical (Richfield, Ohio); Bill Logue, FedEx Freight (Memphis, Tenn.); Victor Valdes, FedEx Express (Guatemala City, Guatemala); Stefanie Pfaff, FedEx Office (Richfield, Ohio); Yvonne Kelly, FedEx Freight (Richfield, Ohio); Lori Henry, FedEx Freight (Memphis, Tenn.); Sandy Everett, FedEx Ground (Richfield, Ohio); Mary Walsh, FedEx Services (Memphis, Tenn.); Mike Lauderdale, FedEx Services (Memphis, Tenn.); Candace Lockhart, FedEx Services (Memphis, Tenn.); Lisa Horne, FedEx Express (Memphis, Tenn.)

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Chady Abouabdallah, FedEx Ground (Richfield, Ohio)

### PAGE 24

Kristi Richardson, FedEx Services (Memphis, Tenn.)

### PAGE 28

Alioune Samb, FedEx Express (Paris, France)

### PAGE 34

Traci Buck Stubblefield, FedEx Express (Memphis, Tenn.)

### PAGE 38

Sharan Salian, FedEx TechConnect (Memphis, Tenn.)

### INSIDE BACK COVER

Rita Holden, FedEx Services (Memphis, Tenn.)

### BACK COVER

Teena Lopez, FedEx Services (Memphis, Tenn.)

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<sup>1</sup>Gertz, Geoffrey and Homi Kharas. (2010).

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<sup>6</sup>Results for 2009 include a charge of \$1.2

billion (\$1.1 billion, net of tax, or \$3.45 per diluted share), primarily related to impairment charges associated with goodwill and aircraft.

<sup>7</sup>Results for 2011 include charges of approximately

\$199 million (\$104 million, net of tax and applicable variable incentive compensation impacts, or \$0.33 per diluted share) related to the combination of our FedEx Freight and FedEx National LTL operations, effective January 30, 2011 and an accrual for a legal reserve at FedEx Express.

<sup>8</sup>Available ton mile (ATM) is defined as one ton of capacity (cargo) transported one mile.

<sup>9</sup>FedEx Custom Critical is listed as FedEx Truckload Brokerage at <http://www.epa.gov/smartway/transport/partner-list/index.htm#f>

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<sup>11</sup>Assumes a range of 5,800 nautical miles at Maximum Operational Revenue Payload (MORP) of 178,000 lbs.

<sup>12</sup>Assumes 4,000 nautical mile stage length, on a payload-adjusted-unit-basis.

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## FORWARD-LOOKING STATEMENTS

Certain statements in this report may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. These statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical experience or from future results expressed or implied by the statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the global markets in which we operate, new U.S. domestic or international government regulation, the impact from any terrorist activities or international conflicts, and other factors that can be found in our press releases and filings with the Securities and Exchange Commission.

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All the paper utilized in the production of this book contains 100% pulp derived from post-consumer recycled fiber. This paper is also certified by the Forest Stewardship Council, which promotes environmentally appropriate, socially beneficial and economically viable management of the world's forest.

## REALIZED SAVINGS:

12,723 gal. wastewater flow saved  
1,408 lbs. solid waste not generated  
2,772 lbs. net greenhouse gases prevented  
21,216,000 BTUs energy not consumed  
1.5 barrels fuel oil unused



A black and white close-up portrait of a woman with dark skin, freckles, and a warm smile. She is wearing large, dark, teardrop-shaped earrings. Her hair is pulled back, and the background is a plain, light color.

THE WORLD  
NEEDS ME.  
I AM FEDEX





POSSIBILITY

**Fed**