

FedEx 2019 Annual Meeting of Stockholders – September 23, 2019

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Good morning, ladies and gentlemen, and welcome to the Annual Stockholders Meeting of FedEx Corporation. My name is Frederick Wallace Smith, I'm the Chairman of the Board and the Chief Executive of the business. We appreciate the interest of the stockholders who have come to the meeting and we thank you for being here. This meeting is being webcast live. Also, I would like to welcome our stockholders who have joined us via the webcast.

Let me begin by introducing the the members of our board of directors. As I call each of your names, would you please stand and be recognized. John Edwardson, Marvin Ellison, Patricia Griffith, Chris Inglis, Kim Jabal, Dr. Shirley Jackson, Brad Martin, Joshua Ramo, Susan Schwab, David Steiner, and Paul Walsh.

Joining me on the stage is Mark Allen. Mark E Allen, our Executive Vice President, General Counsel and Corporate Secretary, who will act as Secretary of the meeting; and Cassandra Shedd, Relationship Manager of Computershare Trust Company, our transfer agent who has been appointed and duly sworn as Inspector of Election. Representatives of Ernst & Young are also present and available to answer appropriate questions that you may have of them as auditors of the Company's fiscal year 2019 financial statements.

As each of you entered the meeting room this morning, you were given a copy of the agenda and the annual meeting guidelines. The meeting will be conducted in accordance with the agenda and guidelines. If you have not received copies of the agenda and guidelines, please raise your hand, and copies will be brought to you.

I'll now call the meeting to order. Mr. Allen will report on the giving of notice for the meeting and the presence of a quorum.

Mark R. Allen

EVP, General Counsel & Secretary, FedEx Corp.

Thank you, Mr. Chairman. I have a complete list of the holders of record the Company's common stock at the close of business on July 29, 2019, who are entitled to vote at this meeting. The list is arranged in alphabetical order and indicates the number of share held by each stockholder. It was prepared and certified by Computershare Trust Company, the Company's transfer agent for the common stock.

I've also received an affidavit of a representative of Computershare, which states that on August 12, 2019 a notice regarding the internet availability of proxy materials or the notice of annual meeting, the proxy statement, the proxy, the 2019 annual report and a postage prepaid return envelope were mailed to the shareholders of record as of July 29, 2019. A tabulation of the proxies received from stockholders indicates that a majority of the shares outstanding on the record date are represented at this meeting and a quorum is present.

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Thank you, Mr. Allen. A copy of the affidavit will be filed with the records of this meeting. The polls for each proposal are now open at 08:03 AM, Central Time, on 23 September 2019. The proposals to be considered today are listed on the agenda and in the proxy materials previously distributed.

If you've already submitted your proxy, your shares will be voted accordingly. If there is any stockholder present who has not yet voted and wishes to do so, please hold up your hand so we may distribute ballots. If you have previously voted by proxy, please do not fill out a ballot, unless you wish to change your proxy vote.

All right. If you're voting by ballot, please mark your choices for each item of business and return the ballot to a FedEx representative when you're finished. If you are a beneficial owner with a legal proxy, please return the legal proxy with your ballot. The audience will have the opportunity to ask any questions related to these proposals after all the proposals have been presented. Please defer any questions or comments related to the proposals until such time. If you have any proposals that are not directly related to the proposals - if you have any questions that are not related to the proposals, you'll have the opportunity to ask them at the conclusion of the meeting.

The first matter to be taken up is the election of directors. Twelve directors are to be elected today. The nominee will be elected to the board of directors if the number of votes cast for such nominee's election exceeds the number of votes cast against such nominee's election. If elected, each nominee will serve as a director until the 2020 annual meeting and until his or her successor is duly elected and qualified.

The nominees are as follows: John A. Edwardson, Marvin R. Ellison, Susan Patricia Griffith, John C. Chris Inglis, Kimberly A. Jabal, Shirley Ann Jackson, R. Brad Martin, Joshua Cooper Ramo, Susan C. Schwab, Frederick W. Smith, David P. Steiner and Paul S. Walsh.

So, the next item of business is to - is the proposal to approve on a non binding basis an advisory resolution on named executive officer compensation as follows. Resolved, that the compensation paid to FedEx named executive officers as disclosed in the Company's proxy statement for the 2019 annual meeting of stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the accompanying compensation tables, and the related narrative discussion, is hereby approved.

The next item of business is the ratification of the appointment of Ernst & Young LPP as the independent registered accounting firm of the Company for the fiscal year- I'm sorry i made an error. I will go through with this one. This is the fourth one- of the Company for the fiscal year ending May 31, 2020.

The third item of business, which I should have read before the Ernst & Young issue, is the proposal to approve the FedEx Corporation 2019 Omnibus Stock Incentive Plan. The next item of business is the consideration of a stockholder proposal regarding a lobbying activity and expenditure report. And I will now ask a qualified representative of the proponent to present the proposal. Please limit the presentation of your proposal to three minutes. Prior to doing so, we'd appreciate your identifying yourself and provide the number of shares you represent.

Is there someone that wants to put this - there we go. All right, sir.

Daniel Willett

Analyst, International Brotherhood of Teamsters

Good morning, I'm Dan Willett representing the Teamsters General Fund, owner of 176 shares of our Company stock. Our resolution calls for greater disclosure of our Company's spending on direct and indirect lobbying. We call for a report to be presented to the Nominating and Governance Committee and posted on our Company's website. In the Company's response to our resolution on money paid to trade associations, our Company states that it only pays dues or sponsors events. We believe that trade associations are primarily funded with dues and fundraising events. Our resolution asked for those amounts to be disclosed.

Our Company also states that membership and trade associations comes with an understanding that a trade association may take some positions that our Company disagrees with. Whether our Company disagrees with 10% or 50% of the positions taken by a trade association that joins and continues to pay is just the kind of decision that deserves more transparency. Please vote for Proposal 5. Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Thank you, sir. The last item of business is the consideration of a stockholder proposal regarding employee representation on the board of directors. I'll now ask a qualified representative of the proponent to present the proposal. Again, please limit the presentation to three minutes, identify yourself, and provide the number of shares you represent.

Abigail Shaw

Manager-Operations & IT, Northstar Asset Management, Inc.

Good morning. My name is Abigail Shaw of NorthStar Asset Management, a socially responsible investment firm based in Boston and the beneficial owner of 40,351 shares of FedEx common stock. I'm here to present resolution number 6.

Employee engagement and satisfaction are crucial to our Company's success. Competition in our industry, faster delivery to customers seven days per week with fewer errors, has increased strain on employees throughout our industry. We believe that allowing and encouraging representation on the board by non-management, non-executive employees is one way to ensure that employees, our most crucial resource, remain fully engaged in the long-term growth of our Company and will help to ensure operational excellence

Given FedEx's poor financial performance over the past five quarters, we are extremely concerned that FedEx management may turn to draconian cuts to hard won employee benefits, such as domestic partner benefits, without adequate consideration of how such a move would directly affect employees and lower overall morale. Our employees are the lifeblood of the Company. Without their dedication to fast, efficient deliveries it would be impossible to weather the current global economic turmoil or to recover from our past year of financial weakness.

But we know that our CEO, Mr. Fred Smith, agrees that employees are critically important contributors to our Company. Recently, the Business Roundtable, an association of CEOs of which Mr. Smith is a member, affirmed employees as stakeholders. In August 2019, the Business Roundtable announced a commitment to all stakeholders and named investing in our employees as the second priority, just behind a commitment to customers.

The competition in our industry is becoming cutthroat and fierce. This increase pressure on an industry that is dependent on happy, productive employees poses a real risk to our business. Our Company is dependent on all of our employees to deliver the services that we profit from. Because of that, management or board decisions that don't include careful consideration of the full breadth of employee talent and compensation, especially in a time of stagnant performance, is a disservice to shareholders. We request that there be board seats available for non-management employees at FedEx. We urge shareholders to vote for proxy item number six. Thank you.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Thank you. Now, ladies and gentlemen, I'd like to open the floor to any discussion regarding these proposals. Any questions or comments relating to any of the proposals should be made at this time not during the general question-and-answer period following the conclusion of the meeting.

Please remember, questions or statements that are irrelevant to the business of the Company or repetitious of questions or statements made by other stockholders, will not be permitted. If there are any questions or comments not directly related to these proposals, please defer them until after the conclusion of the meeting. The audience will be given the opportunity to ask general questions at that time.

Any discussion of these proposals, ladies and gentlemen, or questions or any sort? All right, sir.

Daniel Willett

Analyst, International Brotherhood of Teamsters

The Teamsters General Fund, owner of 176 shares, have concerns and issues regarding executive compensation. We urge shareholders to vote against Proposal 2.

Frederick W. Smith

Chairman, President & CEO, FedEx Corp.

Anything else? Okay, I believe that concludes discussion on the proposals. We will now have the Inspector of Elections give a report on the preliminary voting results. First, have all stockholders who received ballots marked them and turned them in. I don't think there was anybody that got any. Oh, there is one. All right. Good. Okay. You're the hit of the meeting here. If you still have a ballot, please raise your hand. Anybody else? We now seem to have all the ballots, so I hereby declare the polls closed at 8:14 AM Central Time on 23 September 2019.

I'll now ask the Inspector of the Election to report on the preliminary voting results for each of these proposals.

Cassandra Shedd

Inspector of Election- Relationship Manager, Computershare Trust Company

Mr. Chairman, there are present at this meeting in person or by proxy 225,350,343 shares of the Company's common stock out of a total of 260,866,352 shares outstanding and entitled to vote. With respect to Proposal 1, the election of directors, each director nominee received more votes cast for such nominees' election than against such nominees' election.

With respect to Proposal 2, the advisory resolution to approve named executive officer compensation, a majority of the shares present in person or represented by proxy and entitled to vote have been voted in favor of this proposal.

With respect to Proposal 3, approval of the FedEx Corporation 2019 Omnibus Stock Incentive Plan, a majority of the shares present in person or represented by proxy and entitled to vote have voted in favor of this proposal.

With respect to Proposal 4, ratification of the appointment of the independent registered public accounting firm, a majority of the shares present in person or represented by a proxy and entitled to vote have voted in favor of this approval.

With respect to Proposals 5 and 6, a majority of the shares present in person or represented by proxy and entitled to vote have voted against the proposals.

Frederick W. Smith
Chairman, President & CEO, FedEx Corp.

Thank you, Ms. Shedd. To summarize the voting results each of the director nominees has been duly elected to serve as a director of the Company. The advisory resolution to approve named executive officer compensation has been approved. The FedEx Corporation 2019 Omnibus Stock Incentive Plan has been approved. The appointment of Ernst & Young, LLP, as the independent registered public accounting firm of the Company for our fiscal year 2020 has been ratified. And none of the stockholder proposals have been adopted. Please note that the voting results announced by Ms. Shedd are preliminary. Final voting results will be included in a Form 8-K filed with the Securities and Exchange Commission following the meeting.

Now, ladies and gentlemen, that concludes the official business portion of the meeting. There being no further business, the meeting is hereby adjourned. Next, we will show a brief video that provides detail about FedEx's broad portfolio. I will then conclude with some brief remarks followed by a question-and-answer session.

[Video Presentation]

The video you just saw details the broad portfolio of FedEx, some of which I'll cover more fully in a moment. But let me begin by thanking the hundreds of thousands of FedEx teammates around the world who work every day as you saw in that film to keep our Purple Promise. Simply stated, "I will make every FedEx experience outstanding."

When our Strategic Management Committee presented the FY 2020 business plan to our board of directors last spring, we identified three significant challenges to increasing earnings this fiscal year consistent with our long-stated goals.

Over the summer, these challenges increased somewhat due to the decision to not renew our largest Amazon contracts and deepening trade disputes. While the Amazon contracts represented only a small portion of our revenues, the nature of our business is such that near-term profits will be adversely affected since the last bit of volume in our business has significant flow through to the bottom line. We've closed additional business to replace this traffic which is being on-boarded and we are taking out significant costs, which were unique to Amazon's requirements.

I mentioned trade disputes a moment ago. I'd like to give you context about the macroeconomic environment in which we are operating as a result. Comparing to where we were in June, our overall outlook for US economic growth is down 20 basis points, currently at 2.3% for real GDP.

Our outlook has changed despite consumer-driven growth of 2% in the US in quarter two of calendar year 2019. This change is because the industrial sector remains sluggish due to an inventory buildup and increased geopolitical trade tensions.

This slide shows that US manufacturing PMI has been very weak this year. Given that our industrial production outlook is down 70 basis points from June, currently at 0.9%. From a global perspective, economic growth has decreased as the developed world outside the US seeks weaker growth and both domestic and external factors weigh on emerging markets.

In Europe, ongoing decline in Germany's industrial sector is a drag on growth, while uncertainty over Brexit is impacting not just the United Kingdom but its major trading partners as well. Growth in Italy remains weak. And as you can see on this slide, Eurozone Manufacturing PMI has been signaling contraction for most of the year. In Asia, Chinese industrial production growth hit a 10- year low in July and exports remain weak. And more broadly, all major exporting economies have been affected by the slowdown in trade.

Quarter two calendar year 2019 global trade volumes declined year-over-year, which is the first decline since calendar year 2009. We believe a zero-tariff, zero-subsidy global trade environment is the most powerful economic growth engine there is and we'll continue to push for policies that stimulate rather than depress global trade.

While the forces I just detailed are difficult to predict and obviously outside of our control, we're taking deliberate actions in key areas to help lessen the impact of those forces while simultaneously building out a forward-thinking portfolio of solutions for our customers. To help mitigate global headwinds, we're taking steps to reduce capacity, especially in our international network, and overall directional cost in our Express business. We'll retire 20 MD10-10 aircraft over the current and next fiscal year and are highly likely to retire the remaining 10 A310 aircraft in our fleet this year. In addition, we will be parking the equivalent capacity of seven MD11 aircraft this fiscal year.

After peak season, we'll take action to reduce our intercontinental flights to better match supply to demand. We've already decreased US domestic flight hours and we'll be aggressively looking for additional opportunities. Our Express team is intensely focused on overall cost reduction, including deferring noncritical hiring and limiting discretionary spending with benefits to be realized in the coming quarters.

4

With respect to how we continue to evolve and build on our portfolio of solutions for our customers, we're working hard to complete the TNT integration. We've improved FedEx intra-European economy partial shipment transit times and are well on our way to achieving full ground interoperability in our pickup and delivery networks in Europe by the end of May calendar 2020. Flowing intercontinental packages and the combined European ground network allows us to improve service while simultaneously reducing our cost to serve. This will help us accelerate growth into Europe from all around the world. The Asia-Europe lane, which remains the largest intercontinental trade lane, is particularly important in this regard and we expect to gain share in this lane in the months and years to come.

Shifting to e-commerce, while the backbone of FedEx is the B2B business, business-to-business business, our unmatched Ground and Express linehaul and sort network carry both B2B and B2C commerce with great efficiency. The slide behind me gives you a clear indication of why we're so focused on e-commerce. In the US, more than 90% of incremental domestic parcel volume from 2018 to 2026 is expected to come from e-commerce. We're very proud of the rapid innovation we've brought to e-commerce in the last three years and you can expect more in the months ahead.

You can see on this chart that more than 50% of the US domestic e-commerce market is our addressable growth market with a CAGR, a compounded annual growth rate, of 12%. As the e-commerce market grows, so does the market for returns, up 35% since 2015. Packages dropped off at our retail locations result in a higher pickup density and drive greater operational efficiency, making FedEx even more competitive in the returns market.

To lead in e-commerce, we've launched or announced one, FedEx Extra Hours from the Express company, which provides nightly pickup with delivery the next business day. Two, in-sourcing FedEx SmartPost packages for FedEx Ground delivery by peak 2020. Three, expanding the FedEx Ground oversized package network to approximately 100 facilities by peak 2020. Four, new return services and thousands of additional pickup and shipping points, including 8,000 Dollar General locations in less dense areas. Five, FedEx Freight Direct for heavy and hard-to-handle items requiring delivery over the threshold, a \$10 billion market. Six, ROXO, the FedEx same-day bot, who has recently been in the three test markets of Memphis, Tennessee; Plano, Texas; and Manchester, New Hampshire. And finally, FedEx Ground's six and newly announced seven-day delivery, making every day a FedEx delivery day. We're already faster than the competition by at least one day in 26% of origin and destination lanes, and this will move further up the chain in terms of speed advantage in the months and years to come.

FedEx can handle millions of additional shipments generated by these new offerings without adding significant additional sortation capacity. It should be noted, a large amount of ground growth will be short-haul, Zone 1, that will be lower yield, but with improved margin due to increasing density and minimal line-haul cost.

Our service capabilities and costs will be industry-leading in this segment. We believe, by the end of FY 2020, next May, we will have significantly repositioned FedEx for strong future earnings. As the slide behind me shows, the market is changing as volumes are moving out of the United States Postal Service, and we are in-sourcing more. Assuming no recessions, we will continue the initiatives announced in May and June with confident optimism about FedEx's long-term future competitive position and industry leadership.

The next slide shows the significant correlation among our three core operating companies. Our ability to bundle Express, Ground, and Freight services is essential to success in our competitive ecosphere. FedEx Office and FedEx Logistics also provide important value-added services to our portfolio against our major competitors we face every day. Innovation, customer value, and profitable future growth are driving every decision we make in the focus areas I've described, and they drive every decision we make at FedEx.

I'd like to thank you for your time today. And with that, I'll open up the floor to any questions you might have.

Seeing no questions, I will hereby adjourn the meeting and thank you very much.