Risk Factors Comparison 2023-07-17 to 2022-07-18 Form: 10-K

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In addition to the other information set forth in this Annual Report, you should carefully consider the following factors, which could materially affect our business, results of operations, financial condition, and the price of our common stock. Additional risks not currently known to us or that we currently deem to be immaterial also may materially affect our business, results of operations, financial condition, and the price of our common stock. Macroeconomic and Market Risks We are directly affected by the state of the global economy and geopolitical developments. While macroeconomic risks apply to most companies, we are particularly vulnerable. The transportation industry is highly cyclical and especially susceptible to trends in economic activity. Our primary business is to transport goods, so our business levels are directly tied to the purchase and production of goods and the rate of growth of global trade — key macroeconomic measurements influenced by, among other things, inflation and deflation, supply chain disruptions, interest rates and currency exchange rates, labor costs and unemployment levels, fuel and energy prices, public health crises, inventory levels, buying patterns and disposable income, debt levels, and credit availability. When individuals and companies purchase and produce fewer goods, we transport fewer goods, and as companies move manufacturing closer to consumer markets and expand the number of distribution centers, we transport goods shorter distances **, which adversely affects our yields and profitability** . Certain manufacturers and retailers are making investments to produce and house goods in closer proximity to supply chains and consumers in connection with recent macroeconomic, geopolitical, and public health developments. Additionally, consumer spending has shifted from goods to services **, and in 2023 we saw a customer preference for slower, less costly shipping services** . We expect these trends to continue. Further, ~~we have a~~ **the scale of our operations and our** relatively high fixed- cost structure, ~~which is~~ **particularly at FedEx Express, make it** difficult to quickly adjust to match shifting volume levels **, which negatively affected our results of operations in 2023. For more information, see “ Our businesses are capital intensive, and we must make capital decisions based upon projected volume levels. ” below. Our results in 2023 were adversely impacted by lower global volumes due to weak economic conditions. We are experiencing a decline in demand for our transportation services as inflation and interest rate increases are negatively affecting consumer and business spending. Additionally, we are experiencing higher costs to serve through higher fuel prices, wage rates, purchased transportation costs, and other direct operating expenses such as operational supplies. During 2024, we expect macroeconomic conditions to continue to negatively affect customer demand for our services. See Item 7. “ Management’ s Discussion and Analysis of Results of Operations and Financial Condition ” of this Annual Report for additional information** . Moreover, given the nature of our business and our global operations, political, economic, and other conditions in foreign countries and regions, including international taxes, government-to- government relations, the typically more volatile economies of emerging markets, and geopolitical risks such as the ~~current~~ **ongoing** conflict between Russia and Ukraine, may adversely affect our business and results of operations. We have suspended all services in Ukraine ~~,~~ **and Belarus. We also temporarily idled our operations in** Russia ~~,~~ and ~~Belarus, which has~~ **reduced our presence to the minimum required for purposes of maintaining a legal presence with active transport licenses. While we do** not ~~had and is not expected~~ -- **expect this conflict** to have a **direct** material ~~impact~~ **effect** on our business or results of operations ~~. The~~ **, the** broader consequences of this conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; airspace bans relating to certain routes, or strategic decisions to alter certain routes; potential retaliatory action by the Russian government against ~~companies, including~~ us ~~,~~ as a result of ~~the suspension~~ **our idling** of ~~services~~ **operations** in Russia, including nationalization of foreign businesses in Russia; increased tensions between the United States and countries in which we operate; and the extent of the conflict’ s effect on our business and results of operations as well as the global economy, cannot be predicted. To the extent the current conflict between Russia and Ukraine **, or subsequent similar conflicts between or among other nations,** adversely affects our business, it may also have the effect of heightening many other risks disclosed in this Annual Report, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, disruptions to our global technology infrastructure, including through cyberattack **or cyber- intrusion** , ~~ransom~~ **ransomware** attack, or **malware attack** ~~cyber- intrusion~~ ; adverse changes in international trade policies; our ability to maintain or increase our prices, including our fuel surcharges in response to rising fuel costs; our ability to implement and execute our business strategy, particularly with regard to our FedEx Express international business; disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs and could affect our ability to achieve our goal of carbon neutrality for our global operations by calendar 2040; our ability to maintain our strong reputation and the value of the FedEx brand; terrorist activities targeting transportation infrastructure; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets. Geopolitical uncertainty negatively ~~impacted~~ **affected** operations at FedEx Express in ~~2022. We expect slowing economic conditions during 2023. Additionally, we incurred higher costs due to labor market challenges in 2022, and we expect such conditions to continue to be present~~ - **recent years** ~~in 2023~~ . ~~For more information, see “ Our failure to attract and retain employee talent or maintain our company culture, as well as increases in labor and purchased transportation costs, could adversely impact our business and results of operations. ” below and “ Item 7. Management’ s Discussion and Analysis of Results of Operations and Financial Condition ” of this Annual Report.~~ - ~~26~~ **25** - Additional changes in international trade policies and relations could significantly reduce the volume of goods transported globally and adversely affect our business and results of operations. The U. S. government has taken certain actions that have negatively ~~impacted~~ **affected** U. S. trade, including imposing tariffs on certain goods imported into the U. S. Additionally, several foreign governments have imposed tariffs on certain goods imported from the U. S. These actions contributed to weakness in the global economy that adversely affected our results of operations in recent years. Any further changes in U. S. or international trade policy, including tariffs, export controls, quotas, embargoes, or sanctions, could trigger additional retaliatory actions by affected countries, resulting in " trade wars " and further increased costs for goods transported globally, which may reduce customer demand for these products if the parties having to pay tariffs or other anti- trade measures increase their prices, or in trading partners limiting their trade with countries that impose such measures. Political uncertainty surrounding international trade and other disputes could also have a negative effect on business and consumer confidence and spending. Such conditions could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock. Additionally, the U. S. government has taken action to limit the ability of domestic companies to engage in commerce with certain foreign entities under certain circumstances, and foreign governments may investigate our compliance with these restrictions. Furthermore, given the nature of our business and our global recognizability, foreign governments may target FedEx by limiting the ability of foreign entities to do business with us in certain instances, imposing monetary or other penalties or taking other retaliatory action, which could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock. Our transportation businesses are ~~impacted~~ **affected** by the price and availability of jet and vehicle fuel. We must purchase large quantities of fuel to operate our aircraft and vehicles, and the price and availability of fuel is beyond our control and can be highly volatile. In addition, our purchased transportation expense is ~~impacted~~ **affected** by fuel costs. To date, we have been mostly successful in mitigating over time the expense ~~impact~~ **effect** of higher fuel costs through our indexed fuel surcharges, as the amount of the surcharges is closely linked to the market prices for fuel. If we are unable to maintain or increase our fuel surcharges because of competitive pricing pressures or some other reason, fuel costs could adversely ~~impact~~ **affect** our operating results. See " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition " of this Annual Report for more information. As of May 31, ~~2022~~ **2023** , we had no derivative financial instruments to reduce our exposure to fuel price fluctuations. Even if we are able to offset the cost of fuel with our surcharges, high fuel surcharges could move our customers away from our higher- yielding express services to our lower- yielding deferred or ground services or even reduce customer demand for our services altogether. In addition, disruptions in the supply of fuel could have a negative ~~impact~~ **effect** on our ability to operate our transportation networks. The following factors may ~~impact~~ **affect** fuel supply and could result in shortages and price increases in the future: weather- related events; natural disasters; political disruptions or wars involving oil- producing countries; economic sanctions imposed against oil- producing countries or specific industry participants; changes in governmental policy concerning fuel production, transportation, taxes, or marketing; changes in refining capacity; environmental concerns; cyberattacks; and public and investor sentiment. Several of these factors combined to constrain fuel supply ~~and increase prices~~ in ~~2022~~ **2023** , and we expect such conditions to continue to be present in ~~2023~~ **2024** . Operating Risks **The failure to successfully execute our DRIVE transformation program, including Network 2. 0, and our one FedEx consolidation plan in the expected time frame and at the expected cost may adversely affect our future results. In the first quarter of fiscal 2023, FedEx announced our DRIVE transformation program to improve long- term profitability, including Network 2. 0, the multi- year effort to improve the efficiency with which FedEx picks up, transports, and delivers packages in the U. S. and Canada. In the fourth quarter of 2023, FedEx announced one FedEx, a consolidation plan to ultimately bring FedEx Express, FedEx Ground, FedEx Services, and other FedEx operating companies into Federal Express Corporation. See " Item 1. Business " and " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition " of this Annual Report for more information. These entities currently operate as separate and independent businesses and networks. There can be no assurances that these businesses and networks can successfully be consolidated and fully integrated as planned. It is possible that the consolidation and integration process could result in higher than currently expected costs, less- than- expected savings, the loss of customers, the disruption of ongoing businesses, union organizing, litigation, the loss of key FedEx employees or service providers, or other unexpected issues. It is also possible that the overall process will take longer than currently anticipated. Additionally, the following issues, among others, must be addressed in order to realize the anticipated timing and projected benefits of our DRIVE transformation and one FedEx consolidation plan: • combining the physical networks and operations of FedEx Express and FedEx Ground, including consolidating the companies' linehaul and pickup- and- delivery operations, and corporate functions; • our ability to maintain coverage of U. S. employees at FedEx Express under the RLA and manage challenges to the employment status of drivers employed by service providers engaged by FedEx Ground, in addition to other labor- related risks;- 26- • integrating, consolidating, and implementing new administrative and back- office support functions, information- technology infrastructure, and computer systems of the respective companies; • integrating and restructuring the corporate entities; • integrating and unifying the offerings and services available to historical FedEx Express and FedEx Ground customers; • harmonizing the companies' operating practices, employee development and compensation programs, internal controls, and other policies, procedures, and processes; • maintaining existing agreements with customers and service providers and avoiding delays in entering into new agreements with prospective customers and service providers; • legal challenges by FedEx Ground service providers or government agencies seeking to slow or stop plans related to Network 2. 0 or our one FedEx consolidation; • addressing possible differences in business backgrounds, corporate cultures, and management philosophies; • addressing employee issues so as to promote retention and maintain efficient and effective labor and employee relations; • maintaining access to ports of call and railroads for intermodal support; • managing the movement of certain positions to different locations; • obtaining any required regulatory licenses, operating authority, or contractual consents; and • managing unforeseen increased expenses or delays associated with the consolidation and integration process. We may not be able to achieve the expected operational efficiencies and network flexibility, alignment of our cost base with demand, cost savings and reductions to our permanent cost structure, and other benefits**

from our DRIVE transformation and one FedEx consolidation plan. The actual amount and timing of costs to be incurred and related cost savings and reductions to our permanent cost structure resulting from these initiatives and enhancements may differ from our current expectations and estimates. These initiatives and enhancements could also result in asset impairment charges and changes to our tax liabilities and deferred tax balances. If we are not able to successfully implement our DRIVE transformation and one FedEx consolidation plan, our future financial results will suffer and we may not be able to achieve our financial performance goals. All of these factors could adversely affect FedEx' s results of operations and negatively affect the price of our common stock. In addition, at times the attention of certain members of our management may be focused on the DRIVE transformation and one FedEx consolidation plan and diverted from day- to- day business operations, which may disrupt our business. A significant data breach or other disruption to our technology infrastructure could disrupt our operations and result in the loss of critical confidential information, adversely ~~impacting~~ **affecting** our reputation, business, or results of operations. Our ability to attract and retain customers, ~~to~~ efficiently operate our businesses, **execute our DRIVE transformation** and ~~to~~ **one FedEx consolidation plan, and** compete effectively depends in part upon the sophistication, security, and reliability of our technology network, including our ability to provide features of service that are important to our customers, to protect our confidential business information and the information provided by our customers, and to maintain customer confidence in our ability to protect our systems and to provide services consistent with their expectations. For example, we rely on information technology to receive package **-** level information in advance of physical receipt of packages, to track items that move through our delivery systems, to efficiently plan deliveries, to **clear shipments through customs, to** execute billing processes, and to track and report financial and operational data. We are subject to risks imposed by data breaches and operational disruptions, including through cyberattack or cyber- intrusion, **ransomware attack, or malware attack** by computer hackers, foreign governments **and state- sponsored actors** , cyber terrorists and activists, cyber criminals, malicious employees or other insiders of FedEx or third- party service providers, and other groups and individuals. Data breaches **and other technology disruptions** of companies and governments continue to increase as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased and we, our customers, and third parties increasingly store and transmit data by means of connected information technology systems. Additionally, risks such as code anomalies, " Acts of God, " transitional challenges in migrating operating company functionality to our FedEx enterprise automation platforms, data leakage, cyber- fraud, and human error pose a direct threat to our products, services, systems, and data and could result in unauthorized or block legitimate access to sensitive or confidential data regarding our operations, customers, employees, and suppliers, including personal information.- 27- The technology infrastructure of acquired businesses, as well as their practices related to the use and maintenance of data, could also present issues that we were not able to identify prior to the acquisition. **For example, ShopRunner, which we acquired** ~~See " Failure to successfully implement our business strategy and effectively respond to changes~~ in ~~market dynamics~~ **2021, collects** and ~~customer preferences will cause our future financial results to suffer~~ **stores certain personal data of its merchants and their buyers, its partners, consumers with whom it has a direct relationship, and users of its applications** . ~~" below for additional~~ **Additionally , it uses third- party service providers and subprocessors to help deliver services to merchants and their buyers. These service providers and subprocessors may store or access personal data, including payment** information ~~on~~ **and / or other confidential information. The foregoing factors increase the** ~~risks~~ - **risk** ~~related to ShopRunner~~ **of data incidents** and ~~FedEx Dataworks~~ **the amount of potential exposure in the event of a data breach** . We also depend on and interact with the technology and systems of third parties, including our customers and third- party service providers such as cloud service providers and delivery services. Such third parties may host, process, or have access to information we maintain about our company, customers, employees, and vendors or operate systems that are critical to our business operations and services. Like us, these third parties are subject to risks imposed by data breaches, cyberattacks, and other events or actions that could damage, disrupt, or close down their networks or systems. We have security processes, protocols, and standards in place, including contractual provisions requiring such security measures, that are applicable to such third parties and are designed to protect information that is held by them, or to which they have access, as a result of their engagements with us. Nevertheless, a cyberattack could defeat one or more of such third parties' security measures, allowing an attacker to obtain information about our company, customers, employees, and vendors or disrupt our operations. These third parties may also experience operational disruptions or human error that could result in unauthorized access to sensitive or confidential data regarding our operations, customers, employees, and suppliers, including personal information. A disruption to our complex, global technology infrastructure, including those ~~impacting~~ **affecting** our computer systems and websites, could result in the loss of confidential business or customer information, require substantial repairs or replacements, resulting in significant costs, and lead to the temporary or permanent transfer by customers of some or all of their business to our competitors. The foregoing could harm our reputation and adversely ~~impact~~ **affect** our operations, customer service, and results of operations. Additionally, a security breach could require us to devote significant management resources to address the problems created. These types of adverse ~~impacts~~ **effects** could also occur in the event the confidentiality, integrity, or availability of company and customer information was compromised due to a data loss by FedEx or a trusted third party. We or the third parties with which we share information may not discover any security breach and loss of information for a significant period of time after the security breach occurs. We have invested and continue to invest in technology security initiatives, information- technology risk management, business continuity, and disaster recovery plans, including investments to retire and replace end- of- life systems. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more frequent, intense, and sophisticated. Despite our efforts, we are not fully insulated from data breaches, technology disruptions, data loss, and cyber- fraud, which could adversely ~~impact~~ **affect** our competitiveness and results of operations. See " Item 1A. Risk Factors " of our Annual Report on Form 10- K for the year ended May 31, 2021 for information regarding the 2017 NotPetya cyberattack at

TNT Express and immaterial cyber incidents we experienced in 2017 and 2018. Additionally, we have experienced continual attempts by cyber criminals, some of which have been successful, to gain access to customer accounts for the purposes of fraudulently diverting and misappropriating items being transported in our network. None of these fraudulent cyber activities caused a material disruption to our systems or resulted in any material costs to FedEx. While we have significant security processes and initiatives in place, we may be unable to detect or prevent a breach or disruption in the future. Additionally, while we have insurance coverage designed to address certain aspects of cyber risks in place, ~~such~~ **we cannot be certain that we will continue to be able to obtain excess** insurance coverage ~~may be~~ **in amounts we deem** ~~insufficient~~ -- **sufficient,** ~~to cover all losses or~~ **our** ~~all types of~~ **insurance carriers will pay on our insurance** claims ~~that may arise~~ **, or we will not experience a claim for which coverage is not provided** . See “ Our business is subject to complex and evolving U. S. and foreign laws and regulations regarding data protection. ” below for additional information on risks related to legal and regulatory developments with respect to data protection. **A** The continuing impact of the COVID-...... in other industries. Additionally, a significant number of our employees as well as customers and others with whom we do business continue to work remotely **or** in **hybrid models, which** ~~response to the COVID- 19 pandemic. Our business operations~~ may **heighten these** ~~be disrupted, and we may experience increased risk of adverse effects on our business, if a significant portion of our workforce or certain business operations are negatively impacted as a result of remote work arrangements, including due to cyber~~ risks ~~or other disruption to our technology infrastructure~~ . ~~The~~ **These risks** continuing impact of the COVID- 19...... our business and financial results, it may also **be** ~~have the effect of heightening~~ **heightened by** ~~many other risks described in this section, any of which could materially and adversely affect~~ our ~~business~~ **DRIVE transformation** , ~~results of operations, and financial condition. Such risks include~~ **including Network 2. 0** , ~~but are not limited to, additional changes in the state of the global economy~~ and **one** ~~international trade policies and relations; our ability to implement our business strategy and effectively respond to changes in market dynamics and customer preferences; our strong reputation and the value of the~~ FedEx **consolidation plan** ~~brand; our ability to meet our labor and purchased transportation needs while controlling related costs; our ability to execute and effectively operate, integrate, leverage, and grow acquired businesses; changes in the business and financial soundness of the USPS; our ability to achieve our goal of carbon neutrality for our global operations by calendar 2040; and the impact of litigation or claims from customers, team members, suppliers, regulators or other third parties relating to the COVID- 19 pandemic or our actions in response to the pandemic~~ . ~~For more information about the COVID~~ - **28-** ~~19 pandemic and its effect on our business, results of operations, and financial condition, see “ Item 7. Management’ s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results ” of this Annual Report.~~ We are self- insured for certain costs associated with our operations, and insurance and claims expenses could have a material adverse effect on us. We are self- insured up to certain limits that vary by **operating company and** type of risk for costs associated with workers’ compensation claims, vehicle accidents, property and cargo loss, general business liabilities, and benefits paid under employee disability programs. Our self- insurance accruals are primarily based on estimated costs determined by actuarial methods. Estimated costs include consideration of a variety of factors and related assumptions such as the severity of claims, frequency and volume of claims, healthcare inflation, seasonality, and plan designs, which may be subject to a high degree of variability. However, the use of any estimation technique in this area is inherently sensitive given the magnitude of claims involved and the length of time until the ultimate cost is known, which may be several years. Material increases in the magnitude of claims, changes to healthcare costs, accident frequency and severity, insurance retention levels, judgment and settlement amounts, associated legal expenses, and other factors could result in unfavorable differences between actual self- insurance costs and our reserve estimates. As a result, our insurance and claims costs could continue to increase materially which could adversely affect our results of operations and financial condition. During ~~2022~~ **2023** , higher self- insurance accruals negatively ~~impacted~~ **affected** our results of operations. See “ Item 7. Management’ s Discussion and Analysis of Results of Operations and Financial Condition ” of this Annual Report for more information. As a supplement to our self- insurance program, we maintain coverage with excess insurance carriers for potential losses that exceed the amounts we self- insure. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance, risk volatility, and premium expense. Although we believe our aggregate insurance limits should be sufficient to cover our historic claims amounts, the commercial trucking industry has experienced a wave of blockbuster or so- called “ nuclear ” verdicts, including some instances in which juries have awarded hundreds of millions of dollars to those injured in accidents and their families ~~(such as~~ **. See Note 9 of** the ~~recently affirmed~~ **unaudited condensed consolidated financial statements included in “ Item 1. Financial Statements ” of our Quarterly Report on Form 10- Q for the quarterly period ended August 31, 2022 for information regarding the 2015 jury** award **of approximately $ 160 million in compensatory damages in a lawsuit related to a vehicle accident involving a driver employed** by a **service provider engaged by** ~~New Mexico state court jury in a personal injury and wrongful death lawsuit against~~ FedEx Ground ~~discussed below)~~ **, subsequent court affirmation of the award in 2018 and 2022, and our pursuit of reimbursement from insurers of our payment of approximately $ 210 million of pre- and post- judgment interest** . Given this recent trend, it is possible that additional claims could exceed our aggregate coverage limits. If ~~any other~~ **another** claim were to exceed our aggregate insurance coverage, we would bear the excess in addition to our other self- insured amounts. ~~- 29-~~ Given the current claims environment, the amount of coverage available from excess insurance carriers is decreasing, the premiums for this excess coverage are increasing significantly, and excess insurance carriers are challenging insurance claims more frequently. Accordingly, our excess insurance and claims expenses may continue to increase, or we could further increase our self- insured retention as policies are renewed or replaced ~~. In 2015, a jury awarded compensatory damages of approximately $ 160 million to plaintiffs in connection with a personal injury and wrongful death lawsuit filed against FedEx Ground in New Mexico state court. The award was subsequently affirmed by the New Mexico Court of Appeals and ultimately by the New Mexico Supreme Court in May 2022. While our insurance carriers have funded the approximately $ 160 million base judgment in excess of FedEx Ground’ s $ 7. 5 million self- insured retention and insurance deductible, we are currently~~

~~pursuing insurance coverage for reimbursement of approximately $ 210 million of pre- and post- judgment interest. See Note 19 of the consolidated financial statements included in " Item 8. Financial Statements and Supplementary Data " of this Annual Report for more information~~ . Our results of operations and financial condition could continue to be adversely affected if our costs or losses significantly exceed our aggregate coverage limits, we are unable to obtain excess insurance coverage in amounts we deem sufficient, our insurance carriers fail to pay on our insurance claims, or we experience a claim for which coverage is not provided **continuing impact** of the **COVID- 19 pandemic,including the extent of its** effect ~~of such an event~~ on our business,results of operations,and financial condition ~~,~~ as well as the global economy,will be dictated by **future** developments that **remain uncertain and** cannot be predicted,such as its duration and spread ~~;~~ **,** the success of efforts to contain it and treat its ~~effects~~ **impact** , ~~such as travel bans and restrictions,quarantines,shelter- in- place orders,business and government shutdowns,and other restrictions;~~ the possibility of additional subsequent widespread outbreaks and variant strains and the ~~effect~~ **impact** of actions taken in response **,** ~~;and the~~ resulting effects on the economic conditions in the global markets in which we operate **,the future rate of e- commerce growth,and the timeline for recovery of passenger airline cargo capacity** . **To the extent the** ~~We have now shifted to operating in a more stable post-~~ COVID- 19 ~~environment with less restrictions~~ **pandemic continues to adversely affect our business and financial results** , **it** ~~which resulted in~~ . The transportation infrastructure continues to be a target of terrorist activities. Because transportation assets continue to be a target of terrorist activities, governments around the world are adopting or are considering adopting stricter security requirements that will increase operating costs and potentially slow service for businesses, including those in the transportation industry. These security requirements are not static, but change periodically as the result of regulatory and legislative requirements, imposing additional security costs and creating a level of uncertainty for our operations. For example, the TSA requires FedEx Express to comply with a Full All- Cargo Aircraft Operator Standard Security Plan, which contains evolving and strict security requirements. Additionally, the ICAO' s standard that previously allowed a member state to permit carriers and other entities to determine, without government oversight, which shippers and shipments are secure for purposes of putting those shipments on all- cargo aircraft was modified effective July 1, 2021. As a result, we are now required to undertake additional security measures for international outbound shipments. It is reasonably possible that these rules or other future security requirements could impose material costs on us or slow our service to our customers. The ~~impact~~ **effects** on our operations of avoiding areas of the world, including airspace, in which there are geopolitical conflicts and the targeting of aircraft by parties to those conflicts can also be significant. Moreover, a terrorist attack directed at FedEx or other aspects of the transportation infrastructure could disrupt our operations and adversely ~~impact~~ **affect** demand for our services. Strategic Risks Failure to successfully implement our business strategy and effectively respond to changes in market dynamics and customer preferences will cause our future financial results to suffer. We are making significant investments and other decisions in connection with our long- term business strategy, such as **those related** ~~investments in fleet and facility modernization and strategic investments~~ to **our DRIVE transformation** ~~increase collaboration and automation and improve productivity~~ , **including** ~~network~~ **Network 2** ~~efficiencies, and safety~~ . ~~Additionally~~ **0** , ~~we are executing initiatives to use data to transform the digital~~ and **one** ~~physical experiences of our customers and team members, as well as to transform and optimize the~~ FedEx **consolidation plan** ~~Express international business, particularly in Europe~~ . See **" The failure to successfully execute our DRIVE transformation, including Network 2. 0, and one FedEx consolidation plan in the expected time frame and at the expected cost may adversely affect our future results. " above and** " Item 1. Business " and " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition " of this Annual Report for additional information. Such initiatives and enhancements may require us to make significant capital expenditures or incur significant expenses. We have also incurred, and may continue to incur, increased operating expenses in connection with certain changes to our business strategy. We may not be able to derive the expected operational efficiencies **and network flexibility, alignment of our cost base with demand** , cost savings **and reductions to our permanent cost structure** , and other benefits from our strategic investments and other decisions. ~~For example, in 2021 we announced a workforce reduction plan in Europe. The execution of the plan is subject to a works council consultation process that will occur through 2023 in accordance with local country processes and regulations. The actual amount and timing of business realignment costs and related cost savings resulting from the workforce reduction plan are dependent on local country consultation processes and regulations and negotiated social plans and may differ from our current expectations and estimates. If we are not able to successfully implement this plan, our future financial results may suffer. Changes in our business strategy may also expose us to new and heightened risks. For example, ShopRunner, which we acquired in 2020, collects and stores certain personal data of its merchants and their buyers, its partners, consumers with whom it has a direct relationship, and users of its applications. Additionally, it uses third- party service providers and subprocessors to help deliver services to merchants and their buyers. These service providers and subprocessors may store or access personal data, including payment information and / or other confidential information. The foregoing factors increase the risk of data incidents and the amount of potential exposure in the event of a data breach. Developing privacy legislation within the U. S. may also create limitations or added requirements on the use of personal data within and among FedEx Dataworks, ShopRunner, and the other FedEx operating companies.- 30-~~ Further, in developing our business strategy, we make certain assumptions including, but not limited to, those related to customer demand and the mix of services to be purchased by our customers, the future rate of e- commerce growth and **inventory restocking,** ~~the timeline for recovery of~~ passenger airline cargo capacity, competition, and the global economy, and actual market, economic, and other conditions may be different from our assumptions. As technology, customer behavior, and market conditions continue to evolve, it is important that we maintain the relevance of our brand and service offerings to our customers. If we are not able to successfully implement our business strategy and effectively respond to changes in market dynamics and customer preferences, our future financial results will suffer. For additional discussion, see " Item 1. Business " of this Annual Report under the caption " Strategy. " **- 30- Our businesses are capital intensive, and we must make capital decisions based upon projected volume levels.** We ~~may not be able~~ **make significant investments in aircraft, package**

handling facilities, vehicles, technology, sort equipment, acquired companies, and other assets to ~~achieve~~ **support our transportation and business networks. The amount and timing of capital investments depend on various factors, including our anticipated volume growth. We must make commitments to purchase** ~~our~~ - **or** ~~fiscal 2025 financial performance goals~~ **modify aircraft years before the aircraft are actually needed** . ~~In June 2022~~ **We must predict volume levels and fleet requirements and make commitments for aircraft based on those projections. Missing our projections could result in too much or too little capacity relative to our shipping volumes. Overcapacity could lead to below- market asset dispositions or write- downs** , ~~we announced that~~ **as well as negatively affect operating margins, and undercapacity could negatively affect service levels. Difficulties in quickly adjusting our operations and fixed- cost structure to match shifting volume levels, particularly at** FedEx **Express** ~~is targeting certain financial performance goals for fiscal 2025. Our ability to achieve these goals is dependent on a number of factors~~ , ~~including the other risk factors described in this section. If we are not able to achieve these goals, the price of our common stock may be~~ negatively affected **our results of operations in 2023. Additionally, see " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges " of this Annual Report for information regarding a noncash impairment charge recorded in the fourth quarter of 2023 in connection with our decision to permanently retire certain aircraft and related engines from service** . We depend on our strong reputation and the value of the FedEx brand. The FedEx brand name symbolizes high- quality service, reliability, and speed. FedEx is one of the most widely recognized, trusted, and respected brands in the world, and the FedEx brand is one of our most important and valuable assets. In addition, we have a strong reputation among customers, team members, and the general public for high standards of social and environmental responsibility and corporate governance and ethics. The FedEx brand name and our corporate reputation are powerful sales ~~and~~ **,** marketing **,** and recruitment tools, and we devote significant resources to promoting and protecting them. Adverse publicity (whether or not justified) relating to activities by our team members or others with whom we do business, such as customer service mishaps, accidents, catastrophes, or incidents involving aircraft, vehicles, or facilities operated by us **or our service providers** ; low **safety or** service ~~or safety~~ levels; data breaches or technology infrastructure disruptions; noncompliance with laws **and allegations or claims that result in litigation** ; the shipment of certain items pursuant to our obligation as a common carrier operating under federal law; **labor relations and workforce reductions;** our advertising campaigns, sponsorship arrangements, or marketing programs; ~~or~~ **our political activities and expenditures;** our executive compensation practices **; or use of artificial intelligence** could tarnish our reputation and reduce the value of our brand. With the increase in the use of social media outlets such as Facebook, YouTube, Instagram, Twitter, and TikTok, adverse publicity can be disseminated quickly and broadly without context, making it increasingly difficult for us to effectively respond. **Certain forms of technology also allow users to alter images, videos, and other information relating to FedEx and present the information in a false or misleading manner.** Further, our actual or perceived position or lack of position on **environmental,** social ~~, environmental~~ , political, public policy, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with certain groups, including our customers ~~and~~ **,** team members **, governments, and regulatory bodies** . Damage to our reputation and loss of brand equity could reduce demand for our services and / or create difficulties in retaining and recruiting employee talent, and thus have an adverse effect on our financial condition, liquidity, and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand. Changes in the business or financial soundness of the USPS, including strategic changes to its operations to reduce its reliance on the air network of FedEx Express, ~~could~~ **are likely to** have an adverse effect on our results of operations and financial condition. The USPS is the largest customer of FedEx Express, which provides domestic air transportation services for the USPS' s First Class Mail, Priority Mail Express, and Priority Mail and transportation and delivery for the USPS' s international delivery service. See " Item 1. Business " of this Annual Report under " FedEx Express Segment " for more information. **Pursuant to previously announced plans to restructure its operations** ~~The COVID- 19 pandemic has negatively impacted the USPS. Additionally~~ , the USPS continues to ~~experience budgetary uncertainty as well as increased political debate regarding potential privatization or restructuring of its operations. The USPS is currently implementing~~ --- **implement** strategic changes to its operations to reduce its reliance on the air ~~networks~~ - **network** of FedEx Express ~~and other transportation providers~~ , which negatively ~~impacted~~ **affected** our results of operations in ~~2022~~ **2023** . ~~The difficulties discussed above or~~ **FedEx Express expects lower volumes from the USPS in 2024.** ~~additional~~ **Additional** changes in the USPS' s business, including **further** ~~its ability to access capital or any~~ structural changes to its operations, network, volume levels, service offerings, service commitments, or pricing, could have additional negative ~~impacts~~ **effects** on our revenue, results of operations, and financial condition. Further, ~~a decision by~~ the USPS **' s** ~~to terminate early or not renew its~~ contract with FedEx Express for domestic services ~~, which~~ expires ~~in~~ **on** September **29,** 2024, **and there is no assurance that the contract will be renewed on terms that are commercially acceptable to FedEx. Additionally, a decision by the USPS to terminate the contract early** ~~would~~ **could** negatively ~~impact~~ **affect** our profitability. **- 31-** We face intense competition. The transportation and business services markets are both highly competitive and sensitive to price and service, especially in periods of little or no macroeconomic growth. Some of our competitors have more financial resources and competitive advantages than we do, appear willing to operate at little or no margin to gain market share, or they are owned, controlled, or subsidized by foreign governments, which enables them to raise capital more easily. We also compete with regional transportation providers that operate smaller and less capital- intensive transportation networks and startup companies that combine technology with **flexible labor solutions such as** crowdsourcing to focus on local market needs. In addition, some high- volume package shippers are developing and implementing in- house delivery capabilities and utilizing independent contractors for deliveries, which could in turn reduce our revenues and market share. For example, Amazon. com has established a network of hubs, aircraft, and vehicles and has expressed an intention to offer its internal delivery capabilities broadly to third parties. See " Item 1. Business " of this Annual Report for additional information. ~~- 31-~~ We believe we compete effectively with these companies

~~—~~ **–** for example, by providing more reliable service at compensatory prices. However, the existence of an irrational pricing environment could limit our ability not only to maintain or increase our prices (including our fuel surcharges in response to rising fuel costs), but also to maintain or grow our revenues and market share. While we believe we compete effectively through our current and planned service offerings, if our current competitors or potential future competitors offer a broader range of services or better service levels, more effectively bundle their services, or offer services at lower prices, it could impede our ability to maintain or grow our market share. Continued transportation industry consolidation may further increase competition. Moreover, if high- volume package shippers further develop or expand internal capabilities for the services we provide, it may reduce our revenue and could negatively ~~impact~~ **affect** our financial condition and results of operations. These ~~impacts~~ **effects** could be exacerbated if high- volume package shippers offer such capabilities to third parties. News regarding such developments or expansions could also negatively ~~impact~~ **affect** the price of our common stock. Additionally, advancements in technology, such as advanced safety systems; automated package sorting, handling, and delivery; autonomous delivery; third- party supply chain insight and management; **artificial intelligence;** vehicle platooning; alternative fuel vehicles; and digitization of freight services, may necessitate that we increase investments in order to remain competitive, and our customers may not be willing to accept higher rates to cover the cost of these investments. Our ~~businesses are capital intensive, and we must make capital decisions based upon projected volume levels. We make significant investments in aircraft, package handling facilities, vehicles, technology, sort equipment, and other assets to support our transportation and business networks. We also make significant investments to rebrand, integrate, and grow the companies that we acquire. The amount and timing of capital investments depend on various factors, including our anticipated volume growth. We must make commitments to purchase or modify aircraft years before the aircraft are actually needed. We must predict volume levels and fleet requirements and make commitments for aircraft based on those projections. Missing our projections could result in too much or too little capacity relative to our shipping volumes. Overcapacity could lead to below- market asset dispositions or write- downs, as well as negatively impact operating margins, and undercapacity could negatively impact service levels. Our~~ inability to execute and effectively operate, integrate, leverage, and grow acquired businesses and realize the anticipated benefits of acquisitions, joint ventures, and strategic alliances and investments could materially adversely affect us. Our strategy for long- term growth, productivity, and profitability depends in part on our ability to make prudent strategic acquisitions and investments, form joint ventures or strategic alliances, and realize the expected benefits from these transactions. We regularly acquire businesses, enter into strategic alliances, and make investments across the more than 220 countries and territories in which we provide services. Acquisitions and other strategic transactions involve special commercial, customer, accounting, regulatory, compliance, information technology, human resources, cultural, and other risks, including the potential assumption of unanticipated liabilities and contingencies. Additionally, we may be required to make significant capital expenditures and / or incur certain operating expenses following the completion of certain transactions, which may be higher than initially expected. For example, existing and future customer data in the systems and business of FedEx and ShopRunner may not be ~~immediately~~ **ultimately** interoperable, or may not be interoperable without significant added expense ~~. In addition, we are currently in the process of migrating customers from services offered by TNT Express to the FedEx Express portfolio of services~~ . While we expect our past and future acquisitions and strategic transactions to enhance our value proposition to customers and improve our business and long- term profitability, there can be no assurance that we will realize our expectations within the time frame we have established, if at all, or that we can continue to support the value we allocate to acquired businesses, including their goodwill or other intangible assets. We have previously incurred goodwill impairment charges related to certain of our acquisitions, some of which have been material, and may incur additional goodwill impairment charges in the future. **See** ~~Our autonomous delivery strategy is dependent upon our ability to successfully mitigate unique technological, operational, and regulatory risks. As discussed further in~~ " Item ~~1~~ **7** . ~~Business~~ **Management' s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Goodwill and Other Asset Impairment Charges** " ~~under " FedEx Services Segment — Customer- Driven Technology — Autonomous Delivery Technology, " we are exploring the use~~ of **this Annual Report for information regarding** ~~autonomous delivery technology within our operations. Autonomous delivery is~~ a **noncash impairment charge recorded in** ~~new and evolving market, which makes it difficult to predict its acceptance, growth, the magnitude and timing of necessary investments, and other~~ -- **the fourth quarter** ~~trends. This aspect~~ of **2023** ~~our business strategy is subject to a variety of risks inherent with the development of new technologies, including the ability to continue to develop autonomous delivery software and hardware; access to sufficient capital; our ability to develop and maintain necessary partnerships; risks~~ related to the **ShopRunner acquisition** ~~manufacture of autonomous devices; and significant competition from other companies, some of which may have more resources and capital to devote to autonomous delivery technologies than we do. In addition, we face risks related to the commercial deployment of autonomous delivery devices on our targeted timeline or at all, including consumer acceptance; achievement of adequate safety and other performance standards; and compliance with uncertain, evolving, and potentially conflicting federal and state regulations. To the extent accidents, cybersecurity breaches, or other adverse events associated with our autonomous delivery devices occur, we could be subject to liability, government scrutiny, further regulation, and reputational damage. Any of the foregoing could adversely impact our results of operations, financial condition, and growth prospects~~ .- 32- Human Resource Management Risks Our failure to attract and retain employee talent **, meet our purchased transportation needs,** or maintain our company culture, as well as increases in labor and purchased transportation costs, could adversely ~~impact~~ **affect** our business and results of operations. Our success depends upon the efforts and abilities of our high- quality employees, many of whom are longstanding FedEx team members. Difficulties in motivating, rewarding, recruiting, and retaining employee talent, including successors to members of senior management; the unexpected loss of such individuals resulting in the depletion of our institutional knowledge base; and / or our inability to successfully transition key roles could have an adverse ~~impact~~ **effect** on our business, results of operations, reputation, and the price of our common stock **. We also regularly seek to hire a large number of part- time and**

seasonal workers, and FedEx Ground utilizes contracted service providers to conduct its linehaul and pickup- and-delivery operations . Certain positions at FedEx have historically experienced high turnover rates, which can lead to increased recruiting, training, and retention costs. Additionally, our company culture is important to providing high- quality customer service and having a productive workforce and could be adversely affected by our growing operations and other factors. If we fail to maintain the strength of our company culture, our competitive ability and our business may be harmed. Our business is labor intensive in nature, and our ability to meet our labor and purchased transportation needs while controlling related costs is generally subject to numerous external factors, including the availability of qualified **service providers and** persons in the markets where we and our contracted service providers operate and unemployment levels within these markets, prevailing **and competitive** wage rates and other benefits, health and other insurance costs, inflation **, fuel and energy prices and availability** , behavioral changes, adoption of new or revised employment and labor laws and regulations (including increased minimum wage requirements) or government programs, safety levels of our operations, our reputation within the labor **and transportation** ~~market~~ **markets** , **changes in** the ~~continuing~~ **business or financial soundness of service providers, interest in contracting with FedEx, the** effect of **a widespread public health crisis** ~~the COVID- 19 pandemic and variant strains~~ , the availability of child care, and vaccine mandates that may be announced in jurisdictions in which our businesses **and service providers** operate. **Additionally** ~~Labor market challenges contributed to global supply chain disruptions and affected the availability and cost of labor resulting in network inefficiencies~~ , ~~higher purchased transportation costs, and higher wage~~ **certain service providers (acting collectively or in coordination in some instances) may seek to increase financial** rates **or modify contract terms and may refuse to provide service to FedEx** in **connection with** ~~2022. We expect~~ such **initiatives** ~~conditions to continue to be present in 2023. See " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition " of this Annual Report for more information~~ . Our inability to effectively meet our labor and purchased transportation needs can **increase our costs,** hinder our ability to execute our business strategy, negatively ~~impact~~ **affect** service levels, and adversely affect our business and results of operations **. Certain of these risks may be heightened by our DRIVE transformation, including Network 2. 0, and one FedEx consolidation plan** . Labor organizations attempt to organize groups of our employees from time to time, and potential changes in labor laws could make it easier for them to do so. If we are unable to ~~continue to~~ maintain ~~good~~ **positive** relationships with our employees and **to** avoid having labor organizations organize groups of our employees, our operating costs could significantly increase and our operational flexibility could be significantly reduced. Despite continual organizing attempts by labor unions, other than the pilots at FedEx Express and drivers at one FedEx Freight ~~, Inc.~~ facility, our U. S. employees have thus far chosen not to unionize (we acquired FedEx Supply Chain in 2015, which already had a small number of employees who are members of unions). Additionally, certain of FedEx Express' s non- U. S. employees are unionized. **For information regarding** ~~In June 2022,~~ the **tentative successor agreement** ~~Transport Workers Union filed an application with the National Mediation Board requesting an election to represent approximately 130 GOC specialists who perform flight dispatching functions in~~ FedEx Express ~~' s GOC center.~~ **reached with the union representing the pilots of** FedEx Express ~~has raised objections to the application~~ in **May** ~~its response. In 2022~~ **2023** , **see " Item 1. Business " of this Annual Report under the caption " FedEx Express Segment — FedEx Express — Employees. "** ~~labor~~ **Labor** unions **have recently** attempted to organize employees at businesses and in industries that have not traditionally been unionized, and in certain instances ~~were~~ **have been** successful. Such attempts could continue in ~~2023~~ **2024** . **Additionally** ~~Our collective bargaining agreement with the ALPA~~ , ~~which represents the pilots of FedEx Express, became amendable in November 2021. Bargaining for a successor agreement began in May 2021 and continues. While collective bargaining agreements under the RLA, which covers the pilots at FedEx Express, do not expire, we may be unable to maintain certain favorable terms included in the current collective bargaining agreement following negotiations with the ALPA. Our inability to successfully reach new collective bargaining agreements with the ALPA and other~~ -- **the** ~~unions representing FedEx employees could adversely affect our business and results of operations. The~~ U. S. Congress has, in the past, considered adopting changes in labor laws that would make it easier for unions to organize units of our employees. For example, there is always a possibility that Congress could remove most FedEx Express employees from the jurisdiction of the RLA. **Additionally, this jurisdiction could be challenged in connection with our one FedEx consolidation plan.** For additional discussion of the RLA, see " Item 1. Business " of this Annual Report under the caption " Regulation. " Such legislation **or challenge** could expose our customers to the type of service disruptions that the RLA was designed to prevent — local work stoppages in key areas that interrupt the timely flow of shipments of time- sensitive, high- value goods throughout our global network. Such disruptions could threaten our ability to provide competitively priced shipping options and ready access to global markets.- 33- There is also the possibility that Congress could pass other labor legislation that could adversely affect our companies, such as FedEx Ground and FedEx Freight, whose employees are governed by the NLRA. In addition, federal and state governmental agencies, such as the **NMB** ~~National Mediation Board~~ and the NLRB, have and may continue to take actions that could make it easier for our employees, as well as our vendor and supplier workforces, to organize under the RLA or NLRA. Finally, changes to federal or state laws, regulations, rules, judicial or administrative precedent, or guidance governing employee classification could ~~impact~~ **affect** the status of FedEx Ground' s service providers as independent employers of drivers. If FedEx Ground is deemed to be an employer or joint employer of the drivers of these service providers, labor organizations could more easily organize these individuals, our operating costs could increase materially, and we could incur significant capital outlays and experience adverse ~~impacts~~ **effects** to service levels. FedEx Ground contracts with service providers to conduct its linehaul and pickup- and- delivery operations, and the status of these service providers as direct and exclusive employers of drivers providing these services is being challenged. We are defending joint- employer cases where it is alleged that FedEx Ground should be treated as an employer or joint employer of the drivers employed by service providers engaged by FedEx Ground. We incur certain costs, including legal fees, in defending the status of service providers engaged by FedEx Ground as direct employers of their drivers. We continue to believe that FedEx Ground is not an employer or joint employer of the drivers of these independent businesses. However, adverse determinations in these matters or regulatory developments could, among other things, entitle service providers' drivers to certain wage payments and penalties from the service providers and FedEx Ground, and result in employment and withholding tax and benefit liability for FedEx Ground. **The status of the drivers employed by these service providers could be further challenged in connection with our one FedEx consolidation plan.** Proposed pilot flight and duty time regulations could impair our operations and impose substantial costs on us. In 2010, the FAA proposed regulations that would change the flight and duty time rules applicable to all- cargo air carriers. When the FAA issued final regulations in 2011 (the " 2011 regulations "), all- cargo carriers, including FedEx Express, were exempt from these new requirements. Instead, all- cargo carriers were required to continue complying with previously enacted flight and duty time rules and allowed to pursue the development of fatigue risk management systems to develop fatigue mitigations unique to each operation. In 2012, the FAA reaffirmed the exclusion of all- cargo carriers from the 2011 regulations, and litigation in the U. S. Court of Appeals for the District of Columbia affirmed the FAA' s decision. However, this issue remains a policy priority for certain labor groups, and the U. S. Congress **periodically** ~~is currently considering~~ **considers** legislation that, if adopted, would require all- cargo carriers to comply with the 2011 regulations. Required compliance with the 2011 regulations would make it more difficult to avoid pilot fatigue and could impose substantial costs on us in order to maintain operational reliability. Increasing costs, the volatility of costs and funding requirements, and other legal mandates for employee benefits, especially pension and healthcare benefits, could adversely ~~impact~~ **affect** our results of operations, financial condition, and liquidity. We sponsor programs that provide retirement benefits to most of our employees. These programs include defined benefit pension plans, defined contribution plans, and postretirement healthcare plans. The costs of providing pension and other retirement benefit plans are dependent on numerous assumptions, such as discount rates, **expected long- term** investment returns on plan assets, **future** salary increases, ~~expected retirement, mortality,~~ employee turnover, **mortality,** and **retirement ages** ~~future increases in healthcare costs~~. Changes in actuarial assumptions and differences between the assumptions and actual values, as well as significant declines in the value of investments that fund our pension and other postretirement plans, if not offset or mitigated by a decline in plan liabilities, could increase pension and other postretirement expense, and we could be required from time to time to fund the pension plans with significant amounts of cash. Such cash funding obligations could adversely affect our results of operations and liquidity. Additionally, the rules for pension and retirement benefit plan accounting are complex, involve numerous assumptions, and can produce volatility in our results of operations, financial condition, and liquidity. For example, our fourth quarter mark- to- market (" MTM ") retirement plans accounting adjustment resulted in a pre- tax, noncash ~~loss~~ **gain** of **$ 650 million in 2023 ($ 493 million, net of tax, or** $ 1. ~~3~~ **92 per diluted share) and a loss of $ 1. 6** billion in 2022 ($ 1. ~~0 billion, net of tax, or $ 3. 76 per diluted share) and a gain of $ 1.~~ 2 billion ~~in 2021 (~~ **, net of tax, or** $ **4** ~~936 million, net of tax, or $ 3~~ . ~~48~~ **49** per diluted share). For additional information on our MTM retirement plans accounting adjustments, see " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Retirement Plans MTM Adjustments " and Note ~~14~~ **13** of the consolidated financial statements included in " Item 8. Financial Statements and Supplementary Data " of this Annual Report.- 34- Environmental, Climate, and Weather Risks We may be affected by global climate change or by legal, regulatory, or market responses to such change. Concern over climate change, including the ~~impact~~ **effect** of global warming, has led to significant U. S. and international legislative and regulatory efforts to limit GHG emissions, including our aircraft and vehicle engine emissions. Increasingly, state and local governments are also considering GHG regulatory requirements. Compliance with such regulation and the associated potential cost is complicated by the fact that various countries and regions are following different approaches to the regulation of climate change. Increased regulation regarding GHG emissions, especially aircraft or vehicle engine emissions, could impose substantial costs on us, especially at FedEx Express. These costs include an increase in the cost of the fuel and other energy we purchase and capital **and impairment** costs associated with updating or replacing our aircraft or vehicles prematurely. Until the timing, scope, and extent of such possible regulation becomes known, we cannot predict its effect on our cost structure or our operating results. It is reasonably possible, however, that it could materially increase our operating expenses and have an adverse direct or indirect effect on our business, if instituted. For additional discussion of regulatory responses to climate change, including CORSIA and the Paris climate accord, see " Item 1. Business " of this Annual Report under the caption " Regulation. " We may also incur additional expenses as a result of U. S. and international regulators requiring additional disclosures regarding GHG emissions. Moreover, even without such regulation, increased awareness and any adverse publicity in the global marketplace about the GHGs emitted by companies in the airline and transportation industries could harm our reputation and reduce customer demand for our services, especially our air express services. Finally, given the broad and global scope of our operations and our susceptibility to global macroeconomic trends, we are particularly vulnerable to the physical risks of climate change that could affect all of humankind, such as shifts in weather patterns and world ecosystems. We may be unable to achieve **or demonstrate progress on** our goal of carbon neutrality for our global operations by calendar 2040. In 2021, we announced a goal to achieve carbon neutrality for our global operations by calendar 2040. Achievement of this goal depends on our execution of operational strategies relating to vehicle electrification; ~~development of~~ **sustainable fuels; aircraft fuel conservation and fleet modernization; facilities; and** sustainable customer solutions ~~; identification and investment in alternative fuels, fuel conservation, and aircraft modernization programs; and investments in our facilities and natural carbon sequestration~~. Execution of these strategies **, as well as demonstrable progress on** and achievement of our calendar 2040 goal **,** is subject to risks and uncertainties, many of which are outside of our control. These risks and uncertainties include, but are not limited to: our ability to successfully implement our business strategy, effectively respond to changes in market dynamics and achieve the anticipated benefits and associated cost savings of such strategies and actions; the availability and cost **of** , and our ability to acquire, alternative fuel vehicles, alternative fuels, fuel- efficient aircraft, global electrical charging infrastructure, off- site renewable energy, and other materials and components **, many of which are not presently in existence or available at scale** ; unforeseen production, design, operational, and technological difficulties; the outcome of research efforts and future technology developments, including the ability to scale projects and technologies on a commercially competitive basis such as carbon sequestration and / or other related processes; compliance with, and changes or additions to, global and regional regulations, taxes, charges, mandates, or requirements relating to GHG emissions, carbon costs, or climate- related goals; labor-related regulations and requirements that restrict or prohibit our ability to impose requirements on third parties who provide contracted transportation for our transportation networks; **the availability of incentives to enhance the production and affordability of alternative fuel vehicles, alternative fuels, global electrical charging infrastructure, and other materials and components;** adapting products to customer preferences and customer acceptance of sustainable supply chain solutions **and potentially increased prices for our services** ; and the actions of competitors and competitive pressures. There is no assurance that we will be able to successfully execute our strategies and achieve **or demonstrate progress on** our calendar 2040 goal of carbon neutrality for our global operations. **Additionally, we may determine that it is in our best interests to prioritize other business, social, governance, or sustainable investments and / or initiatives (including our DRIVE transformation program, including Network 2. 0, and one FedEx consolidation plan) over the achievement of our calendar 2040 goal based on economic, regulatory, or social factors, business strategy, or other reasons.** Failure to achieve **or demonstrate progress on** our calendar 2040 goal could damage our reputation and customer and other stakeholder relationships. Further, given investors' **and banks'** increased focus related to **ESG** ~~environmental, social, and governance~~ matters, such a failure could cause large stockholders to reduce their ownership of FedEx common stock and limit our access to financing. Such conditions could have an adverse effect on our business, results of operations, and financial condition, as well as on the price of our common stock. **- 35-** Our inability to quickly and effectively restore operations following adverse weather or a localized disaster or disturbance in a key geography could adversely ~~impact~~ **affect** our business and results of operations. While we operate several integrated networks with assets distributed throughout the world, there are concentrations of key assets within our networks that are exposed to adverse weather conditions or localized risks from natural or manmade disasters such as earthquakes, volcanoes, wildfires, hurricanes, tornadoes, floods, severe winter weather, conflicts or unrest, terrorist attacks, or other disturbances, actual or threatened. Additionally, shifts in weather patterns caused by climate change could increase the frequency, severity, or duration of certain adverse weather conditions. Prolonged interruptions or disruptions at a key location such as our FedEx Express Memphis World Hub or one of our information- technology centers could adversely ~~impact~~ **affect** our business and results of operations. We also may incur significant costs to reestablish or relocate these functions. Moreover, resulting economic dislocations, including supply chain and fuel disruptions, could adversely ~~impact~~ **affect** demand for our services resulting in an adverse effect on our business and results of operations. ~~- 35-~~ Other Legal, Regulatory, and Miscellaneous Risks Government regulation and enforcement are evolving and unfavorable changes could harm our business. We are subject to regulation under a wide variety of U. S. federal, state, and local and non- U. S. government regulations, laws, policies, and actions. There can be no assurance that such regulations, laws, policies, and actions will not be changed in ways that will decrease the demand for our services, subject us to escalating costs, or require us to modify our business models and objectives **(such as our DRIVE transformation program, including Network 2. 0, and one FedEx consolidation plan)** , harming our financial results. In particular, legislative, regulatory, or other actions that U. S. and non- U. S. governments have undertaken or ~~are considering~~ **could take** in areas such as data privacy and sovereignty, the use of new technology, taxes, foreign exchange intervention in response to currency volatility, currency controls that could restrict the movement of liquidity from particular jurisdictions, trade controls, tariffs, quotas, embargoes, or sanctions in the U. S. or other countries, complex economic sanctions, import and export controls, customs standards, additional security or workplace and transportation health and safety requirements, labor and employment standards (including with respect to our pilots) **, worker classification, joint employment** and benefits, government contracting, regulated commodities, environmental **or emission** standards, and accounting may have an adverse effect on our results of operations, financial condition, capital requirements, effective tax rate, and service levels. For additional discussion, see " Item 1. Business " of this Annual Report under the caption " Regulation. " Additionally, the current U. S. presidential administration and various U. S. federal and state regulatory bodies have indicated a desire to reform various aspects of existing laws, regulations, and enforcement priorities and strategies that could, among other things, lead to comprehensive tax reform, broadly increase the U. S. minimum wage ~~to $ 15 per hour~~ , make it easier for unions to organize our U. S. employees **or the employees of our service providers** , and alter the employment relationship between service providers engaged by FedEx Ground and the drivers employed by those service providers. We could be subject to adverse changes in regulations and interpretations or challenges to our tax positions. We are subject to taxation in the U. S. and numerous foreign jurisdictions. From time to time, changes in tax laws or regulations may be enacted that could significantly affect our overall tax liabilities and our effective tax rate. U. S. and foreign governmental agencies maintain focus on the taxation of multinational companies, including statutory tax rates, global minimum taxes (such as the framework agreed to by members of the Organization for Economic Cooperation and Development in 2022), digital taxes, and transactions between affiliated companies. Such changes may require new and complex computations to be performed, significant judgments, estimates, and calculations to be made, and the preparation and analysis of information not previously relevant or regularly produced. Standard- setting bodies could interpret or issue guidance on how provisions of certain tax laws and regulations will be applied or otherwise administered that is different from our interpretation, and we may be required to make adjustments to amounts that we have recorded that may adversely ~~impact~~ **affect** our results of operations and financial condition. See " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition — Results of Operations and Outlook — Consolidated Results — Income Taxes " of this Annual Report for **additional** information regarding **ongoing** ~~the lawsuit we filed in 2021 challenging the validity of a~~ tax ~~regulation~~ **examinations and challenges. Additionally, see " Item 7. Management' s Discussion and Analysis of Results of Operations and Financial Condition — Critical Accounting Estimates — Income Taxes " of this Annual Report for information regarding estimates and potential adjustments** related to **our** ~~the one- time transition~~ tax **positions** ~~on unrepatriated foreign earnings, which was enacted as part of the Tax Cuts~~

~~and Jobs Act~~. **- 36-** Our business is subject to complex and evolving U. S. and foreign laws and regulations regarding data protection. There has recently been heightened regulatory and enforcement focus relating to the collection, use, retention, transfer, and processing of personal data in the U. S. (at both the state and federal level) and internationally, including the EU' s General Data Protection Regulation, the California Privacy Rights Act, the Virginia Consumer Data Protection Act, and other similar laws that have been or will be enacted by other jurisdictions. In addition, China and certain other jurisdictions have enacted more stringent data localization requirements. An actual or alleged failure to comply with applicable U. S. or foreign data protection laws, regulations, or other data protection standards may expose us to litigation (including, in some instances, class action litigation), fines, sanctions, or other penalties, which could harm our reputation and adversely ~~impact~~ **affect** our business, results of operations, and financial condition. This regulatory environment is increasingly challenging, based on discretionary factors, and difficult to predict. Consequently, compliance with all applicable regulations in the various jurisdictions in which we do business may present material obligations and risks to our business, including significantly expanded compliance burdens, costs, and enforcement risks; require us to make extensive system or operational changes; or adversely affect the cost or attractiveness of the services we offer. All of these evolving compliance and operational requirements, as well as the uncertain interpretation and enforcement of laws, impose significant costs and regulatory risks that are likely to increase over time. ~~See " Failure to successfully implement~~ **Developing privacy legislation within the U. S. may also create limitations** ~~our~~ - **or added requirements** ~~business strategy and effectively respond to changes in market dynamics and customer preferences will cause our future financial results to suffer. " above for additional information~~ on **the use of personal** data **by** ~~protection risks related to ShopRunner and~~ FedEx Dataworks **and the other FedEx operating companies** . ~~- 36-~~ The regulatory environment for global aviation or other transportation rights may ~~impact~~ **affect** our operations and increase our operating costs. Our extensive air network is critical to our success. Our right to serve foreign points is subject to the approval of the DOT and generally requires a bilateral agreement between the U. S. and foreign governments. In addition, we must obtain the permission of foreign governments to provide specific flights and services. Our operations outside of the U. S., such as FedEx Express' s international domestic operations, are also subject to current and potential regulations, including certain postal regulations and licensing requirements, that restrict, make difficult, and sometimes prohibit, the ability of foreign-owned companies such as FedEx Express to compete effectively in parts of the international domestic transportation and logistics market. Regulatory or executive actions affecting global aviation or transportation rights or a failure to obtain or maintain aviation or other transportation rights in important international markets could impair our ability to operate our networks. Further, our ability to obtain or maintain aviation or other transportation rights internationally may be adversely affected by changes in international trade policies and relations. We are subject to other extensive regulatory and legal compliance requirements that may result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures in order to comply. High-profile accidents, catastrophes, or incidents involving aircraft may trigger increased regulatory and legal compliance requirements. These requirements can be issued with little or no notice, or can otherwise ~~impact~~ **affect** our ability to efficiently or fully utilize our aircraft, and in some instances have resulted in the temporary grounding of aircraft types altogether. Further, our business may be adversely ~~impacted~~ **affected** when government agencies **and air traffic control and other systems they oversee** cease to operate as expected, including due to partial shutdowns, sequestrations, or similar events ~~, which~~ **. Lapses in government operations** may result in, among other things, ~~disruption~~ **disruptions** in the ability of government agencies to grant required regulatory approvals. For additional discussion, see " Item 1. Business " of this Annual Report under the caption " Regulation. " We are also subject to other risks and uncertainties, including: • ~~widespread outbreak of an illness or~~ **our** ~~any~~ **ability to mitigate** ~~other~~ -- **the technological** ~~communicable disease, or any other public health crisis; • the United Kingdom' s exit from the EU (" Brexit "), including the economic~~, operational, **legal and** regulatory, and **reputational risks related to autonomous technology** ~~financial impacts of any post- Brexit trade deal between the United Kingdom~~ and ~~EU~~ **artificial intelligence** ; • the increasing costs of compliance with federal, state, and foreign governmental agency mandates (including the Foreign Corrupt Practices Act and the U. K. Bribery Act) and defending against inappropriate or unjustified enforcement or other actions by such agencies; • changes in foreign currency exchange rates, especially in the euro, Chinese yuan, British pound, Canadian dollar, Hong Kong dollar, Australian dollar, Japanese yen, and Mexican peso, which can affect our sales levels and foreign currency sales prices; • **loss or delay in the collection of accounts receivable; •** any liability resulting from and the costs of defending against class- action, derivative, and other litigation, such as wage- and- hour, joint employment, securities, vehicle accident, and discrimination and retaliation claims, claims related to our ~~mandatory and voluntary~~ reporting and disclosure of climate change and other ESG topics, and any other legal or governmental proceedings, including the matters discussed in Note ~~19~~ **18** of the consolidated financial statements included in " Item 8. Financial Statements and Supplementary Data " of this Annual Report; **- 37-** • **adverse rulings on appeals and in** ~~the~~ **other** ~~impact~~ **future judicial decisions, subsequent adverse jury findings, and changes in judicial precedent; • the sufficiency of insurance coverage we purchase; • the effect** of technology developments on our operations and on demand for our services, and our ability to continue to identify and eliminate unnecessary information- technology redundancy and complexity throughout the organization; • disruptions in global supply chains, which can limit the access of FedEx and our service providers to vehicles and other key capital resources and increase our costs; • **difficulties experienced by the companies with which we contract to fly smaller regional " feeder " aircraft in attracting and retaining pilots, which could cause a reduction of service offered to certain locations, service disruptions, increased costs of operations, and other difficulties; • the United Kingdom' s exit from the EU (" Brexit "), including the economic, operational, regulatory, and financial effects of any post- Brexit trade deal between the United Kingdom and EU; •** governmental underinvestment in transportation infrastructure, which could increase our costs and adversely ~~impact~~ **affect** our service levels due to traffic congestion, prolonged closure of key thoroughfares, or sub- optimal routing of our vehicles and aircraft; • stockholder activism, which could divert the attention of management and our board of directors from our business, hinder execution of our business strategy, give rise to perceived uncertainties as to our future, and cause the price of our common stock to fluctuate significantly; **• successful completion of our planned stock repurchases;** and • constraints, volatility, or disruption in the capital markets, our ability to maintain our current credit ratings, commercial paper ratings, and senior unsecured debt and pass- through certificate credit ratings, and our ability to meet credit agreement financial covenants. ~~- 37-~~