Risk Factors Comparison 2024-02-08 to 2023-02-13 Form: 10-K

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The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward- looking statements made in this Annual Report or our other filings with the SEC or in oral presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors in conjunction with " Management' s Discussion and Analysis of Financial Condition and Results of Operations " in Item 7 and our Consolidated Financial Statements and related Notes in Item 8. COMPANY RISK Risks related to ~~our~~ **Our** ~~business~~ **Business** ~~model~~ **Model** ~~and the COVID- 19 pandemic~~ Economic recessions and other factors that reduce freight volumes, both in North America and Europe, could have a material adverse impact on our business. The transportation industry in North America and Europe historically has experienced cyclical fluctuations in financial results due to economic recessions, downturns in the business cycles of our customers, increases in the prices charged by third- party carriers, interest rate fluctuations, changes in international trade policies and other U. S. and global economic factors beyond our control **. 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, pandemics and other 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** . During economic downturns, a reduction in overall demand for transportation services will likely reduce demand for our services and exert downward pressures on our rates and margins. In addition, in periods of strong economic growth, overall demand may exceed the available supply of transportation resources, resulting in increased network congestion and operating inefficiencies. Additional changes in international trade policies could significantly reduce the volume of goods transported globally and adversely affect our business and results of operations. These factors subject our business to various risks that may have a material impact on our operating results and future prospects. These risks may include the following: • A reduction in overall freight volume reduces our opportunities for growth. In addition, if a downturn in our customers' business causes a reduction in the volume of freight shipped by those customers, our operating results could be adversely affected; • Some of our customers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business and may be unable to pay us. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase; • A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment capacity or services to meet our commitments to our customers **; • A pandemic or other public health epidemic poses the risk that we or our employees, customers, suppliers, manufacturers and other commercial partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease or shutdowns requested or mandated by governmental authorities** ; • We may not be able to appropriately adjust our expenses to rapid changes in market demand. In order to maintain high variability in our business model, it is necessary to adjust staffing levels when market demand changes. In periods of rapid change, it is more difficult to match our staffing levels to our business needs. In addition, we have other expenses that are primarily variable but are fixed for a period of time, as well as certain significant fixed expenses; we may be unable to adequately adjust these expenses to match a rapid change in demand; ~~and~~ • The U. S. government has made significant changes in U. S. trade policy and has taken certain actions that have negatively impacted U. S. trade, including imposing tariffs on certain goods imported into the U. S. To date, several governments, including the European Union (" EU ") have imposed tariffs on certain goods imported from the U. S. These actions may contribute to weakness in the global economy that could adversely affect our results of operations. Any further changes in U. S. or international trade policy 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 those tariffs increase their prices, or in trading partners limiting their trade with countries that impose anti- trade measures. 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 ~~. We~~ **; and • Governmental authorities have implemented and** are ~~subject~~ **continuing** to **implement various anti** ~~risks arising from the COVID~~ - ~~19 global pandemic (the " Pandemic ")~~ **terrorism measures, including checkpoints and travel restrictions on trucks** . ~~Our results of~~ **If such measures or new anti- terrorism measures disrupt or impede our** operations ~~may continue to reflect the adverse impact from the Pandemic~~ , ~~including its impact on our supply chain and inflationary pressures. A pandemic or other public health epidemic, poses the risk that~~ we **may fail to timely deliver products to** ~~or~~ **our** ~~our employees,~~ customers ~~, suppliers, manufacturers and other commercial partners may be prevented from conducting business activities for~~ - **or incur increased expenses to do so. Such measures could have** an ~~indefinite period of time, including due to the spread of the disease or shutdowns requested or mandated by governmental authorities. The extent to which the Pandemic may have a material~~ adverse effect on our ~~future~~ business, **results of operations and** financial condition **, as** ~~and results of operations will~~ **well** ~~depend~~ **as** on ~~many factors that are not within~~ the **price of** ~~Company' s control, including but not limited to the Pandemic' s path and effect, new variants and vaccination rates, potential supply chain disruptions and inflation, which can impact~~ our ~~key markets~~ **common stock** . Risks related to Our Strategy and Operations Our company- specific action plan to enhance network efficiencies and drive growth in our North American LTL business, and other management actions to improve our North American LTL business, may not be effective or timely, and may not improve our results of operations or cash flow from operations as planned. We have undertaken a company- specific action plan to enhance network operating efficiencies and drive growth in our North American LTL business, including **by,** among other actions, ~~increasing prices~~ **growing yield by providing best- in- class customer service and enhancing business mix** , expanding our **tractor fleet** ~~driver school enrollment~~ , increasing production capacity of our trailer manufacturing facility, ~~and~~ investing in the door count in our network of ~~terminal~~ **service center** facilities **, and driving cost efficiencies through, among other actions, insourcing linehaul from third- party transportation providers and improving productivity** . The effectiveness and timeliness of these actions, which are and will be costly, and other management actions to improve our North American LTL business, may not result in the expected improvements in our results of operations or cash flow from operations in our North American LTL business. Our profitability may be materially adversely impacted if our investments in equipment and service centers do not match customer demand for these resources or if there is a decline in the availability of funding sources for these investments. Our LTL and full truckload operations require significant investments in equipment and freight service centers. The amount and timing of our capital investments depend on various factors, including anticipated freight volume levels and the price and availability of appropriate property for service centers and newly manufactured tractors. If our anticipated requirements for service centers or fleet differ materially from actual usage, our capital- intensive operations, specifically LTL and full truckload, may have more or less capacity than is optimal. Our investments in equipment and service centers depend on our ability to generate cash flow from operations and our access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect our financial condition and results of operations. Failure to successfully implement our cost and revenue initiatives could cause our future financial results to suffer. We are implementing various cost and revenue initiatives to further increase our profitability, including advanced pricing analytics and revenue management tools, cross- selling to strategic accounts, LTL process improvements, workforce productivity, European margin expansion, global procurement and further back- office optimization. If we are not able to successfully implement these cost and revenue initiatives, our future financial results may suffer. **.** Our past acquisitions,as well as any acquisitions that we may complete in the future,may be unsuccessful or result in other risks or developments that adversely affect our financial condition and results.While we intend for our acquisitions to enhance our competitiveness and profitability,we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations.Special risks,including accounting,regulatory,compliance,information technology or human resources issues,may arise in connection with,or as a result of, **the acquisition of** an ~~acquisition~~ **existing company** ,including the assumption of unanticipated liabilities and contingencies,difficulties in integrating acquired ~~assets or~~ businesses,possible management distractions,or the inability of **the** acquired ~~assets or businesses~~ -- **business** to achieve the levels of revenue,profit,productivity or synergies we anticipate or otherwise perform as we expect on the timeline contemplated.We are unable to predict all of the risks that could arise as a result of our acquisitions.In **addition** ~~December 2023~~ , ~~we completed~~ **if the performance of our reportable segments** ~~our~~ - **or** ~~acquisition of 28 service centers,including the~~ **an acquired business varies from our projections or** ~~assumption~~ **assumptions** ~~of certain leases~~ , ~~of Yellow Corporation (~~ **or if estimates about** the **future profitability** ~~“ Yellow Service Centers ”).The ultimate success~~ of **our reportable segments or an acquired business change** ~~the acquisition of the Yellow Service Centers will depend on~~ , ~~among~~ **our revenues,earnings or** other ~~things,the ability to integrate~~ **aspects of our financial condition could be adversely affected** We may not successfully manage our growth. We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions and entering into new markets, and we intend to continue to focus on growth, including organic growth through new customer wins and increased business with existing customers, as well as additional acquisitions. We may experience difficulties and higher- than- expected expenses in executing this strategy as a result of unfamiliarity with new markets, changes in revenue and business models, entry into new geographic areas and increased pressure on our existing infrastructure and information technology systems from multiple customer project implementations. Our growth may place a significant strain on our management, operational, financial and information technology resources. We seek to continually improve existing procedures and controls, as well as implement new transaction processing, operational and financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs may continue to increase as our operations grow. Failure to manage our growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows and financial condition. We may sell or otherwise divest our European business, which may have an adverse effect on our results of operations and cash flows, the market price of our common stock, and on our North American LTL business. In potentially selling or otherwise divesting our European business, we may not realize the price we expect to receive when contemplating the divestment of the business, we may incur a loss in connection with a sale or other divestiture of the business, the market price of our common stock and the multiples at which our common stock trades may not increase following a sale or other divestiture of our European business, and / or we may incur ongoing transition obligations and costs that adversely impact our operations following a sale or other divestiture of our European business. We also would anticipate incurring material compensation, transactional and other expenses, in connection with entering into and / or completing a sale of our European business. Certain of these factors could have an adverse effect on our results of operations and cash flows, and the market price of our common stock. A sale or other divestiture of our European business will result in us being a smaller, less diversified company with a more concentrated area of focus and less geographical diversification, as North American LTL would be our only remaining business. Following a potential sale or other divestiture of our European business, our Company likely would become more vulnerable to changing market conditions in the ~~US~~ **U. S.** , which could have a material adverse effect on our business, financial condition and results of operations. The diversification of our revenues, costs and cash flows will diminish as a result of a sale or other divestiture of our European business, and our ability to fund capital expenditures, investments and service our debt may be diminished. We may also incur ongoing costs and retain certain liabilities that were previously allocated to entities that are sold or otherwise divested. Those costs may exceed our estimates or could diminish the benefits we expect to realize. Further, a sale or other divestiture of one or more of our business units may subject us to litigation. An unfavorable outcome of such litigation may result in a material adverse impact on our business, financial condition, cash flows or results of operations. In addition, regardless of the outcome, litigation proceedings can be costly, time-consuming, disruptive to our operations, and distracting to management. There can be no assurance that a sale or other divestiture of our European business will occur, or ~~about~~ the terms or timing of a potential transaction . Our past acquisitions, as well...... our financial condition could be adversely affected . If we determine that our goodwill has become impaired, we may incur impairment charges, which would negatively impact our operating results. At December 31, ~~2022~~ **2023** , we had $ 1. 5 billion of goodwill on our consolidated balance sheet. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations. We assess potential impairment of our goodwill annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. Impairment may result from significant changes in the manner or use of the acquired assets, in connection with the sale, spin off or other divestiture of a business unit, negative industry or economic trends and / or significant underperformance relative to historic or projected operating results ~~. For example, in the fourth quarter of 2022 and in connection with the RXO spin- off, the number of our reporting units increased from three to five to reflect our new internal organization. Our five reporting units consist of North American LTL and four regions for our European Transportation business. In connection with the disaggregation of our European Transportation business from a single reporting unit into four separate reporting units, we performed an impairment test for each of the European Transportation reporting units and recorded an aggregate impairment charge of $ 64 million in the fourth quarter of 2022~~ . For a discussion of our goodwill impairment testing, see “ Critical Accounting Policies and Estimates- Evaluation of Goodwill ” in Part II, Item 7, “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations. ” We have recently experienced changes in management and ~~the composition of our Board of Directors and~~ our future success will depend in part on our ability to manage these transitions successfully. **We** ~~Primarily in connection with our spin- offs of RXO and GXO, we~~ have experienced recent changes in management, including our chief executive officer **,** ~~and our~~ chief financial officer, **chief operating officer,** and **a number of our** ~~the~~ **other** ~~composition of our Board of Directors~~ **executive and non-executive officers** . Changes in management have the potential to disrupt our business, and any such disruption could adversely affect our operations, growth, financial condition and results of operations. Further, new members of management ~~and the Board of Directors~~ may have different perspectives on our operations and opportunities for our business, which may cause us to reduce or change the emphasis on the vision for our company. Our success is dependent upon our ability to attract and retain qualified management in a highly competitive environment. Qualified individuals are in high demand, and we may incur significant costs to attract them, particularly at the executive level. We may face difficulty in attracting, retaining and compensating key talent for a number of reasons, including competitive market conditions and the need to align the vision of a new executive team with our Board of Directors’ vision for our company. Replacing departing executives or directors can involve organizational disruption and uncertainty. If we fail to manage this transition successfully, we could experience significant delays or difficulty in the achievement of our strategic objectives and our business, financial condition and results of operations could be materially and adversely harmed. Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations. We use both internally developed and purchased technologies in conducting our business. Whether internally developed or purchased, it is possible that users of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against us by a third party for the infringement of intellectual property rights, a settlement or adverse judgment against us could result in increased costs to license the technology or a legal prohibition against our ~~using~~ **use of** the technology. Thus, our failure to obtain, maintain or enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations. We rely on a combination of intellectual property rights, including patents, copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third parties; or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Efforts to enforce our intellectual property rights may be time- consuming and costly, distract management’ s attention and divert our resources, and ultimately be unsuccessful. Moreover, should we fail to develop and properly manage future intellectual property, this could adversely affect our market positions and business opportunities. Our overseas operations are subject to various operational and financial risks that could adversely affect our business. The services we provide outside the U. S. are subject to risks resulting from changes in tariffs, trade restrictions, trade agreements, tax policies, difficulties in managing or overseeing foreign operations and **external** agents, different liability standards, issues related to compliance with ~~anti- corruption laws, such as the Foreign Corrupt Practices Act, the U. K. Bribery Act and Sapin II,~~ data protection **laws** , ~~trade compliance~~ **competition laws** , and intellectual property laws of countries that do not protect our rights relating to our intellectual property, including our proprietary information systems, to the same extent as do U. S. laws. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region or decrease the profitability of our operations in that region. In addition, as we expand our business in foreign countries, we will be exposed to increased risk of loss from foreign currency fluctuations and exchange controls. We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies. We present our financial statements in U. S. dollars, but we have a significant proportion of our net assets and income in non- U. S. dollar currencies, primarily the euro and British pound sterling. Consequently, a depreciation of non- U. S. dollar currencies relative to the U. S. dollar could have an adverse impact on our financial results as further discussed in Item 7A, “ Quantitative and Qualitative Disclosures about Market Risk. ” Volatility in fuel prices impacts our fuel surcharge revenue and may impact our profitability. We are subject to risks associated with the availability and price of fuel, all of which are subject to political, economic and market factors that are outside of our control. Fuel expense constitutes one of the greatest costs to our LTL ~~and full truckload~~ carrier operations, as well as to third- party **linehaul and** transportation providers. Accordingly, we may be adversely affected by the timing and degree of fuel price fluctuations. As is customary in our industry, most of our customer contracts include fuel surcharge programs or other cost- recovery mechanisms to mitigate the effect of any fuel price increases over base amounts established in the contract. However, these mechanisms may not fully capture an increase in fuel price. Furthermore, market pressures may limit our ability to assess fuel surcharges in the future. The extent to which we are able to recover increases in fuel costs may be impacted by the amount of empty or out- of- route truck miles or engine idling time. Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits. **Productivity of our fleet historically decreases during the winter season and** ~~Extreme~~ **extreme** or unusual weather conditions **,** whether due to climate change or otherwise, can disrupt our operations, impact freight volumes, and increase our costs, all of which could have a material adverse effect on our business results. Our business depends, in part, on predictable temperate weather patterns. **Our productivity historically decreases during the winter season, as it does for the industry in general, because inclement weather impedes operations.** Certain seasonal weather conditions and isolated weather events can disrupt our operations **and further impact productivity** . We frequently incur costs related to snow and ice removal, towing and other maintenance activities during winter months. At least some of our operations are constantly at risk of extreme adverse weather conditions. Any unusual or prolonged adverse weather patterns in our areas of operations or markets, whether due to climate change or otherwise, can temporarily impact freight volumes and increase our costs. Also, concerns relating to climate change have led to a range of local, state, federal, and international regulatory and policy efforts to seek to address greenhouse gas (" GHG ") emissions. In the U. S., various approaches are being proposed or adopted at the federal, state, and local government levels. These efforts could lead to additional costs on the Company now or in the future, including increased fuel and other capital or operational costs, **compliance costs,** or additional legal requirements on the Company. In addition to the potential for additional GHG regulation or incentives, enhanced corporate, public, and stakeholder awareness of climate change could affect the Company' s reputation or customer demand **such as customers requesting more fuel- efficient transportation or increased transparency to carbon emissions in their supply chains** . Climate change concerns and GHG regulatory efforts could also affect the Company' s customers themselves. Any of these factors, individually or combined with one or more factors, or other unforeseen factors or other impacts of climate change, could affect the Company and have an effect on our business, operations, or financial condition. Our ~~ability to achieve our environmental, social and governance goals are subject to risks, many of which are outside of our control, and our~~ reputation could be harmed if we fail to ~~meet such goals~~ **satisfy evolving stakeholder expectations regarding environmental, social and governance matters** . Companies across all industries are facing scrutiny from stakeholders related to ESG matters, including practices and disclosures related to environmental stewardship; social responsibility; diversity, equity and inclusion; and workplace rights. ~~Our ability to achieve our ESG goals, including our goal to achieve carbon neutrality by 2050, and to accurately and transparently report our progress presents numerous operational, financial, legal and other risks, and may be dependent on the actions of third parties, all of which are outside of our control.~~ If we are unable to meet ~~our ESG goals or~~ stakeholder expectations and industry standards, or if we are perceived to have not responded appropriately, our reputation could be negatively impacted. In addition, in recent years, investor advocacy groups and certain institutional investors have placed increasing importance on ESG matters. If, as a result of their assessment of our ESG practices, certain investors are unsatisfied with our actions ~~or progress~~ , they may reconsider their investment in our company. As the nature, scope and complexity of ESG reporting, diligence and disclosure requirements expand, including the SEC' s recently proposed disclosure requirements regarding, among other matters, GHG emissions, we may have to undertake additional costs to control, assess and report on ESG metrics. Any failure or perceived failure, whether or not valid, to pursue or fulfill our ESG **expectations** ~~goals, targets and objectives~~ or to satisfy various ESG reporting standards within the timelines we announce, or at all, could increase the risk of litigation. Risks related to Our Use of Technology Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information technology systems, including those systems of any businesses that we acquire. We rely heavily on our information technology systems in managing our business; they are a key component of our customer- facing services and internal growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated technology from their transportation providers. This process of continuous enhancement may lead to significant ongoing software development costs, which will continue to increase if we pursue new acquisitions of companies and their current systems. **Technology and new market entrants may also disrupt the way we and our competitors operate.** In addition, we may fail to accurately determine the needs of our customers or trends in the transportation industry. Any such failures could result in decreased demand for our services and a corresponding decrease in our revenues. We must ensure that our information technology systems remain competitive. If our information technology systems are unable to manage high volumes with reliability, accuracy and speed as we grow, or if such systems are not suited to manage the various services we offer, our service levels and operating efficiency could decline. In addition, if we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems, or if we fail to enhance our systems to meet our customers' needs, our results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers. We are developing proprietary information technology. Our technology may not be successful or may not achieve the desired results and we may require additional training or different personnel to successfully implement this technology. Our technology development process may be subject to cost overruns or delays in obtaining the expected results, which may result in disruptions to our operations. A **significant breach of our information security systems, networks or processes could materially adversely affect our business. We process and maintain certain information that is confidential, proprietary, personal, or otherwise sensitive, including financial and confidential business information. Our information technology systems, devices, storage and applications, as well as those maintained by our third- party providers, are susceptible to damage, disruptions and shutdowns due to computer viruses, cyberattacks, ransomware or malware attacks, phishing, denial of service attacks, malicious social engineering, attacks by foreign actors, and other attempts to gain unauthorized access. Our systems and the systems maintained by our third- party providers have been subject to attempts to gain unauthorized access, breaches, and other system disruptions, and these and similar incidents could happen again. These events could, from time to time, cause material service outages, allow inappropriate or block legitimate access to systems or information, or result in other material interruptions to our business, our customers and other stakeholders could be impacted, and our reputation could be harmed. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and the frequency and sophistication of cyber- attacks globally have increased over time. As a result, we may be unable to anticipate these attacks or techniques or to implement adequate measures to recognize, detect or prevent the occurrence of any of the events described above or to adequately mitigate their effects. We also may not discover the occurrence of any of the events described above for a significant period of time after the event occurs. These risks, as well as the number and frequency of cybersecurity events globally, may also be heightened during times of geopolitical tension or instability between countries. We depend on and interact with the information technology networks and systems of third parties for many aspects of our operations, including our customers and service providers such as cloud service providers and third- party delivery services. These third parties are subject to risks resulting from data breaches, cyberattacks, and other events or actions that could damage or disrupt their networks or systems, which could adversely affect our operations and have an impact on our business. Any failure to identify and address such defects or errors or prevent a cyber- attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation or increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to the resulting claims or liability could similarly involve substantial cost, and the costs related to cybersecurity threats or disruptions may not be fully insured or indemnified by other means. While we have dedicated significant resources to security and privacy and to incident response capabilities, our response processes may not be adequate, may fail to accurately assess the severity of an incident, may not be sufficient to prevent or limit harm, or may fail to sufficiently remediate an incident in a timely fashion, any of which could harm our business, reputation, results of operations and financial condition. A** failure of our information technology infrastructure ~~or a breach of our information security systems, networks or processes~~ may materially adversely affect our business. The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our **order entry and fulfillment, communications, labor management,** sales and marketing, financial, legal and compliance functions, engineering and product development tasks, research and development data, ~~communications, order entry and fulfillment~~ and other business processes. We also rely on third parties and virtualized infrastructure to operate our information technology systems. Despite significant testing, external and internal risks, such as malware, insecure coding, " Acts of God, " data leakage and human error, pose a direct threat to the stability ~~or~~ **and** effectiveness of our information technology systems and operations. The failure of our information technology systems to perform as we anticipate has in the past **adversely affected** , and could in the future ~~,~~ adversely affect our business **, including** through **service delays, delayed communications, loss and delay of sales,** transaction errors, billing and invoicing errors, ~~internal recordkeeping and reporting errors,~~ processing inefficiencies and **delayed** ~~loss of sales,~~ receivables collection ~~or customers~~ . Any such failure could result in harm to our reputation and have an ongoing adverse impact on our business, results of operations and financial condition, including after the underlying ~~failures~~ - **failure** ~~have~~ **has** been remedied. Further, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management' s focus and attention from our business operations, and increase our implementation and operating costs, any of which could negatively impact our operations and operating results ~~. We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber- attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation or increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to the resulting claims or liability could similarly involve substantial cost~~ . Also, due to recent advances in technology and well- known efforts on the part of computer hackers and cyber- terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, customer and employee data, which, if released, could adversely impact our customer **and employee** relationships, our reputation, and even violate privacy laws. Recently, regulatory and enforcement focus on data protection has heightened in the **United States** ~~U. S.~~ and abroad, particularly in the EU. Failure to comply with applicable U. S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our business, reputation, results of operations and financial condition. Risks related to Our Credit and Liquidity Our indebtedness could adversely affect our financial condition. We have outstanding indebtedness, which could: negatively affect our ability to pay principal and interest on our debt; increase our vulnerability to general adverse economic and industry conditions; limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow to payments of interest and principal or to comply with any restrictive terms of our debt; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; impair our ability to obtain additional financing or to refinance our indebtedness in the future;

and place us at a competitive disadvantage compared to our competitors that may have proportionately less debt. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could materially and adversely affect our financial position and results of operations. Further, failure to comply with the covenants under our indebtedness may have a material adverse impact on our operations. If we fail to comply with any of the covenants under our indebtedness, and are unable to obtain a waiver or amendment, such failure may result in an event of default under our indebtedness. We may not have sufficient liquidity to repay or refinance our indebtedness if such indebtedness were accelerated upon an event of default. Under the terms of our outstanding indebtedness, we may not be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks described above. The execution of our strategy could depend on our ability to raise capital in the future, and our inability to do so could prevent us from achieving our growth objectives. We may in the future be required to raise capital through public or private financing or other arrangements in order to pursue our growth strategy or operate our businesses. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business and / or our ability to execute our strategy. Further debt financing may involve restrictive covenants and could reduce our profitability. We **currently have** ~~also intend to pursue~~ investment grade credit ratings **for our secured debt** , however, we may not be able to **maintain these ratings or** obtain ~~them~~ **investment grade credit ratings for our unsecured debt or corporate ratings** . Without investment grade credit ratings, we incur increased interest expense and borrowing costs and may have reduced access to financial markets to obtain additional debt financing or refinance our existing debt, potentially adversely affecting our financial condition and results of operations. If we cannot raise funds on acceptable terms, we may not be able to grow our business as planned or respond to competitive pressures. We may be adversely affected by interest rate changes because of our floating rate credit facilities. The Second Amended and Restated Revolving Loan Credit Agreement, as amended (the " ABL Facility "), and the senior secured term loan credit agreement, as amended (the " Term Loan Facility "), provide for an interest rate based on ~~London Interbank Offered~~ **the Secured Overnight Offering** Rate (" ~~LIBOR~~ **SOFR** ") or a Base Rate, as defined in the agreements, plus an applicable margin. Our European trade receivables securitization program (the " Receivables Securitization Program ") provides for an interest rate at lenders' cost of funds plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the ABL Facility, Term Loan Facility and Receivables Securitization Program are subject to floating interest rates. Refer to Item 7A, " Quantitative and Qualitative Disclosures about Market Risk " for the impact on interest expense of a hypothetical 1 % increase in the interest rate. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations. ~~Additionally, the interest rates on some of our debt is tied to LIBOR. In July 2017, the head of the U. K.' s Financial Conduct Authority announced its intention to phase out the use of LIBOR by the end of 2021. However, for U. S. dollar- denominated (" USD ") LIBOR, only one- week and two- month USD LIBOR will cease to be published after 2021, and all remaining USD LIBOR tenors will continue being published until June 2023. In February 2023, we amended the terms of our ABL Facility, including transitioning the interest rate from LIBOR to other base rates, and we expect to similarly modify the interest rate basis in the Term Loan Facility in 2023. The uncertainty regarding the future of LIBOR, as well as the transition from LIBOR to another benchmark rate or rates, could have adverse impacts on our outstanding debt that currently uses LIBOR as a benchmark rate, and ultimately, adversely affect our financial condition and results of operations.~~ Risks related to Third- Party Relationships We depend on third parties in the operation of our business. Our European business heavily relies on subcontracting and we use a large number of temporary employees in these operations. As a result, we are exposed to various risks related to managing our subcontractors, such as the risk that they do not fulfill their assignments in a satisfactory manner or within the specified deadlines. Moreover, we cannot guarantee that temporary employees are as well- trained as our other employees. Specifically, we may be exposed to the risk that temporary employees may not perform their assignments in a satisfactory manner or may not comply with our safety rules in an appropriate manner, whether as a result of their lack of experience or otherwise. Such failures could compromise our ability to fulfill our commitments to our customers, comply with applicable regulations or otherwise meet our customers' expectations. Such failures could also harm our reputation and ability to win new business and could lead to ~~our~~ **us** being liable for contractual damages. Furthermore, in the event of a failure by our subcontractors or temporary employees to fulfill their assignments in a satisfactory manner, we could be required to perform unplanned work or additional services in line with the contracted service, without receiving any additional compensation. As a result, any failure to properly manage our subcontractors or temporary employees in Europe or elsewhere could have a material adverse impact on our revenues, earnings, financial position and outlook. Increases in driver compensation and difficulties with attracting and retaining drivers could adversely affect our revenues and profitability. Our LTL services in North America and Europe and our full truckload services in Europe are conducted primarily with employee drivers. Our industry is currently experiencing and may, in the future, experience intense competition for qualified drivers in the transportation industry due to a shortage of drivers. The availability of qualified drivers may be affected from time to time by changing workforce demographics, competition from other transportation companies and industries for employees, the availability and affordability of driver training schools, changing industry regulations, and the demand for drivers in the labor market. If the current industry- wide shortage of qualified drivers continues, our global LTL operations and our European truckload operation could experience difficulty in attracting and retaining enough qualified drivers to fully satisfy customer demand. During periods of increased competition in the labor market for drivers, our LTL and full truckload operations may be required to increase driver compensation and benefits in the future **to attract and retain a sufficient number of qualified drivers** or face difficulty meeting customer demand, all of which could adversely affect our profitability. Additionally, a shortage of drivers could result in the underutilization of our truck fleet, lost revenue, increased costs for purchased transportation or increased costs for driver recruitment **. If we are unable to retain our key employees, our business, results of operations and financial position could be adversely affected. Our success will**

continue to depend upon the experience and leadership of our key employees. In that regard, the loss of the services of any of our key personnel could have a material adverse effect on our financial condition, results of operations and liquidity if we are unable to secure replacement personnel who have sufficient experience in our industry and in the management of our business. The competition for these employees is intense and the labor market is tight. The loss of key personnel, the inability to attract, timely hire and retain key employees with critical technical skills, or unforeseen difficulties associated with the transition of key employees, could negatively impact our business . Our business may be materially adversely affected by labor disputes. Our business in the past has been, and in the future could be, adversely affected by strikes and labor negotiations at seaports, labor disputes between railroads and their union employees, or by a work stoppage at one or more railroads or local trucking companies servicing rail or port terminals. Strikes and work stoppages also could occur at our own facilities. Port shutdowns and similar disruptions to major points in national or international transportation networks, most of which are beyond our control, could result in terminal embargoes, disrupt equipment and freight flows, depress volumes and revenues, increase costs and have other negative effects on our operations and financial results. Labor disputes involving our customers could affect our operations. If our customers experience plant slowdowns or closures because they are unable to negotiate labor contracts, our revenue and profitability could be negatively impacted. Our European business activities require a large amount of labor, which represents one of our most significant costs. It is essential that we maintain good relations with employees, trade unions and other staff representative institutions. A deteriorating economic environment may result in tensions in industrial relations, which may lead to industrial action within our European operations; this could have a direct impact on our business operations. Generally, any deterioration in industrial relations in our European operations, such as general strike activities or other material labor disputes, could have an adverse effect on our revenues, earnings, financial position and outlook. Efforts by labor organizations to organize employees at certain locations in North America, if successful, may **impact** ~~result in increased~~ costs and ~~decreased~~ efficiencies at those locations. Since 2014, in the U. S., the International Brotherhood of Teamsters (" Teamsters ") has attempted to organize employees at ~~several~~ **dozens** of our LTL locations, and the International Association of Machinists (" Machinists ") has attempted to organize a small number of mechanics at three LTL maintenance shops. The majority of our employees involved in these organizing efforts rejected union representation. As of December 31, ~~2022~~ **2023** , our employees had voted against union representation in ~~18~~ **19** of the 28 union elections held since 2014. In May 2020, LTL technicians at our Gary Hammond, IN shop ratified a contract negotiated between XPO and the Machinists union. In November 2021, the Gary Hammond facility lease expired and XPO closed that shop and the contract was therefore rendered null and void. In July 2021, LTL drivers and dockworkers at our Miami, FL service center and drivers at our Trenton, NJ service center ratified contracts negotiated between XPO and the Teamsters. Less than a year later, in April 2022, the Teamsters disclaimed interest in the Trenton, **NJ** ~~New Jersey~~ service center and no longer represent our employees in Trenton. **In June** ~~As of December 31, 2022~~ **2023** , ~~we are engaged in good faith bargaining with~~ **Miami employees submitted a decertification petition and voted to remove** the Teamsters **union** ~~for a first contract at one location, King of Prussia, Pennsylvania, which covers approximately 58 employees~~ . In 2019, a majority of employees at our LTL service centers in Laredo, TX and Aurora, IL, voted to decertify the Teamsters as the employees' representative. In December 2020, a majority of employees at our LTL service center in Cinnaminson, NJ also voted to decertify the Teamsters as their bargaining representative. Since August 2021, the Teamsters disclaimed interest in ~~four~~ **five** of our LTL locations, including Bakersfield, ~~California~~ **CA** , Los Angeles, ~~California~~ **CA** , Trenton, **NJ** ~~New Jersey~~ , **Albany, NY** and most recently, ~~Albany~~ **King of Prussia** , **PA** ~~New York~~ . Since 2014, the Teamsters have withdrawn seven petitions seeking elections on behalf of LTL employees prior to the election being held, and the Machinists withdrew one petition for an LTL election on behalf of a small group of shop employees. Today, ~~only 135 North American LTL~~ **none of the Company' s** employees **in the U. S.** are represented by a union **or** ~~, of which only 77 are~~ subject to a collective bargaining agreement. In January 2022, LTL employees at our Trenton, NJ service center filed a deauthorization petition with the ~~NLRB~~ **National Labor Relations Board** seeking to withdraw the authority of the Teamsters to require union employees to pay union dues to retain their XPO jobs. The ~~outcome of~~ **employees voted to remove the requirement** that ~~vote is pending~~ **they pay dues and then, in April 2022, the Teamsters disclaimed interest in representing employees in Trenton, NJ** . The White House Task Force on Worker Organizing and Empowerment released a report on February 7, 2022, with numerous pro- labor recommendations regarding, among others, federal government support of union organizing efforts. There can be no assurance that increased government regulation and enforcement in this area will not increase our costs or have an adverse effect on our results of operations, cash flows and business. We cannot predict with certainty whether further organizing efforts may result in the unionization of any additional locations in the U. S. ~~There can be no assurance that decertification will succeed at any of our facilities with union representation.~~ If union efforts are successful, these efforts may **impact** ~~result in increased~~ costs and ~~decreased~~ efficiencies at the specific locations where representation is elected ~~,~~ and have an adverse effect on our results of operations, cash flows and business. Risks related to the Spin- Offs We may be unable to achieve some or all of the benefits that we expect to achieve from the spin- offs of GXO or RXO **and may be required to indemnify GXO or RXO for certain liabilities** . Although we believe that separating our logistics segment and tech- enabled broker transportation platform into stand- alone, publicly traded companies (the " Spin- offs ") has provided financial, operational and other benefits to us and our stockholders, we cannot provide assurance that we will achieve the full strategic and financial benefits expected from the spin- offs. If we do not realize the intended benefits of the spin- offs, we could suffer a material adverse effect on our business, financial conditions, results of operations and cash flows. ~~In connection with the Spin- offs each of the parties agreed to indemnify each other for certain liabilities. If we are required to pay under these indemnities to GXO or RXO, our financial results could be negatively impacted. The GXO and RXO indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which GXO or RXO will be allocated responsibility, and GXO or RXO may not be able to satisfy its indemnification obligations in the future.~~ Pursuant to the separation and distribution agreements and certain other agreements between XPO and GXO and XPO and

RXO, each party agrees to indemnify the other for certain liabilities, in each case for uncapped amounts. Indemnities that we may be required to provide GXO and RXO are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that GXO or RXO has agreed to retain. Any amounts we are required to pay pursuant to these indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Further, the indemnities from GXO or RXO for our benefit may not be sufficient to protect us against the full amount of such liabilities, and GXO or RXO may not be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from GXO or RXO any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition. If the spin- ~~off~~ **offs** of **GXO and / or** RXO, together with certain related transactions, ~~does~~ **do** not ~~qualify as a transaction that is generally tax- free for U. S. federal income tax purposes, XPO and XPO stockholders could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to~~ qualify as transactions that are generally tax- free for U. S. federal **income tax purposes, XPO and XPO stockholders could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax- free for U. S. federal** or non- U. S. income tax purposes, we could be subject to significant tax liabilities. **In connection with** ~~It was a condition to~~ the spin- ~~off~~ **offs** of **GXO and** RXO ~~that~~ **,** we ~~receive~~ **received** ~~an opinion~~ **opinions** ~~of~~ **from** outside counsel regarding the qualification of ~~the~~ **each** spin- off, together with certain related transactions, as a " reorganization " within the meaning of Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code. The ~~opinion~~ **opinions** of counsel ~~was~~ **were** based upon and relied on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of XPO **, GXO,** and RXO, including those relating to the past and future conduct of **each company** ~~XPO and RXO~~ . If any of these facts, assumptions, representations, statements or undertakings ~~is~~ **was** , or becomes, inaccurate or incomplete, or if XPO **, GXO,** or RXO breaches any of its representations or covenants contained in the separation agreement and certain other agreements and documents or in any documents relating to the **related** opinion of counsel, the opinion of counsel may be invalid, and the conclusions reached therein could be jeopardized. Notwithstanding ~~receipt of the opinion of counsel, the U. S. Internal Revenue Service (the " IRS ") could determine that the spin- off of RXO and / or certain related transactions should be treated as taxable transactions for U. S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the opinion of counsel was based are false or have been violated. In addition, the opinion of counsel will represent the judgment of such counsel and will not be binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding~~ receipt of the opinion of counsel, there can be no assurance that the **U. S. Internal Revenue Service (the "** IRS **")** will not assert that ~~the~~ **either** spin- off ~~of RXO~~ and / or certain related transactions do not qualify for tax- free treatment for U. S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, XPO and XPO stockholders could be subject to significant U. S. federal income tax liability. ~~If the spin- off of RXO, together with certain related transactions, were to fail to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code, in general, for U. S. federal income tax purposes, XPO would recognize taxable gain as if it had sold the RXO common stock in a taxable sale for its fair market value (unless XPO and RXO jointly make an election under Section 336 (e) of the Code with respect to the spin- off of RXO, in which case, in general, (a) XPO would recognize taxable gain as if RXO had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of RXO common stock and the assumption of all its liabilities and (b) RXO would obtain a related step- up in the basis of its assets), and RXO stockholders who receive such RXO shares in the spin- off of RXO would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. If the spin- off of GXO, together with certain related transactions, does not qualify as a transaction that is generally tax- free for U. S. federal income tax purposes, XPO and XPO stockholders could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax- free for U. S. federal or non- U. S. income tax purposes, we could be subject to significant tax liabilities. It was a condition to the spin- off of GXO that we receive an opinion of outside counsel regarding the qualification of the spin- off, together with certain related transactions, as a " reorganization " within the meaning of Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code. The opinion of counsel was based upon and relied on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of XPO and GXO, including those relating to the past and future conduct of XPO and GXO. If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if XPO or GXO breaches any of its representations or covenants contained in the separation agreement and certain other agreements and documents or in any documents relating to the opinion of counsel, the opinion of counsel may be invalid, and the conclusions reached therein could be jeopardized. Notwithstanding receipt of the opinion of counsel, the IRS could determine that the spin- off of GXO and / or certain related transactions should be treated as taxable transactions for U. S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the opinion of counsel was based are false or have been violated. In addition, the opinion of counsel will represent the judgment of such counsel and will not be binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt of the opinion of counsel, there can be no assurance that the IRS will not assert that the spin- off of GXO and / or certain related transactions do not qualify for tax- free treatment for U. S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, XPO and XPO stockholders could be subject to significant U. S. federal income tax liability. If the spin- off of GXO, together with certain related transactions, were to fail to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code, in general, for U. S. federal income tax purposes, XPO would recognize taxable gain as if it had sold the GXO common stock in a taxable sale for its fair market value (unless XPO and GXO jointly make an~~

~~election under Section 336 (e) of the Code with respect to the spin- off of GXO, in which case, in general, (a) XPO would recognize taxable gain as if GXO had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of GXO common stock and the assumption of all its liabilities and (b) GXO would obtain a related step- up in the basis of its assets), and GXO stockholders who receive such GXO shares in the spin- off of GXO would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.~~ Risks related to Litigation and Regulations We are involved in multiple lawsuits and are subject to various claims that could result in significant expenditures and impact our operations. The nature of our business exposes us to the potential for various types of claims and litigation, including matters related to commercial disputes, labor and employment, workers' compensation, personal injury, cargo and other property damage, environmental liability, insurance coverage, securities and other matters, including with respect to claims asserted under various other theories of agency or employer liability. Claims against us may exceed the amount of insurance coverage that we have or may not be covered by insurance at all. Businesses that we acquire also increase our exposure to litigation. Material increases in the frequency or severity of vehicular accidents, liability claims or workers' compensation claims, or the unfavorable resolution of claims, or our failure to recover, in full or in part, under indemnity provisions with third- party transportation providers, could materially and adversely affect our operating results. Our involvement in the transportation of certain goods, including but not limited to hazardous materials, could also increase our exposure in the event that we or one of our third- party transportation providers is involved in an accident resulting in injury or contamination. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability. **Under some agreements, we maintain the inventory of our customers, some of which may be significant in value. Our failure to properly handle and safeguard such inventory exposes us to potential claims and expenses.** An increase in the number or severity of self- insured claims or an increase in insurance premiums could have an adverse effect on us. We use a combination of self- insurance programs and purchased insurance to provide for the costs of employee medical, vehicular collision and accident, cargo **loss and damage, property damage,** and workers' compensation claims. Our estimated liability for self- retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a degree of variability. We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. Estimating the number and severity of claims, as well as related judgment or settlement amounts, is inherently difficult. This inherent difficulty, along with legal expenses, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual self- insurance costs and our reserve estimates. **Our operating results could be adversely affected if any of the following were to occur: (i) the number or the severity of claims increases; (ii) we are required to accrue or pay additional amounts because claims prove to be more severe than our original assessment; or (iii) claims exceed our coverage amounts.** Accordingly, our ultimate results may differ from our estimates, which could result in losses over our reserved amounts. We periodically evaluate our level of insurance coverage and adjust insurance levels based on targeted risk tolerance and premium expense. An increase in the number or severity of self- insured claims or an increase in insurance premiums could have an adverse effect on us, while higher self- insured retention levels may increase the impact of loss occurrences on our results of operations. In addition, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, healthcare cost trends, claims experience and healthcare decisions by plan participants. As a result, we are unable to predict how the cost of providing benefits under medical plans will affect our financial condition, results of operations or cash flows. We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position. We maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the U. S. A decline in interest rates and / or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could significantly increase our contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan. Changes in income tax regulations for U. S. and multinational companies may increase our tax liability. We are subject to income taxes in the United States and many foreign jurisdictions. Changes to income tax laws and regulations, or the interpretation of such laws, in any of the jurisdictions in which we operate could significantly increase our effective tax rate and ultimately reduce our cash flows from operating activities and otherwise have a material adverse effect on our financial condition, results of operations and cash flows. The U. S. Congress, the Organization for Economic Co- operation and Development (" OECD "), the EU and other government agencies in jurisdictions in which we and our affiliates do business have maintained a focus on the taxation of multinational companies. The OECD has recommended changes to numerous long- standing international tax principles through its base erosion and profit shifting (" BEPS ") project ~~. In addition~~ , ~~the current U. S. presidential administration has called for changes to fiscal~~ and ~~tax policies, which may~~ **many** ~~include comprehensive tax reform~~ **jurisdictions have begun codifying those recommendations into law** . These and other tax laws and related regulations changes, to the extent adopted, may increase tax uncertainty and / or our effective tax rate, result in higher compliance cost and adversely affect our provision for income taxes, results of operations and / or cash flows. We are subject to governmental regulations ~~and~~ **,** political conditions, **and emissions- control regulations** which could **substantially increase operating expenses or** negatively impact our business. Our operations are regulated and licensed by various governmental agencies in the U. S. and in foreign countries where we operate. These regulatory agencies have authority and oversight of domestic and international transportation services and related activities, licensure, motor carrier operations, safety and security and other matters. We must comply with various insurance and surety bond requirements to act in the capacities for which we are licensed. Our subsidiaries and third- party transportation providers must also comply with applicable regulations and requirements of various agencies. Through our subsidiaries and operations, we hold various licenses required to carry out our domestic and international services. These licenses permit us to provide services as a motor carrier and property broker. In addition, we are subject to regulations and requirements promulgated by the DOT, **EPA,** FMCSA, DHS, CBP, Canada Border Services Agency and various other international, domestic, state and local agencies and port authorities. Certain of our businesses engage in the transportation of hazardous materials, the movement, handling and accidental discharge of which are highly regulated. Our failure to maintain the required licenses, or to comply with applicable regulations, could have a material adverse impact on our business and results of operations. See the " Regulation " section under Item 1, " Business " for more information **. In 2021, the EPA announced a series of regulations to be implemented to decrease emissions from new heavy- duty vehicles and, in 2022, finalized new stringent emission standards to reduce nitrogen oxides and establish new standards for greenhouse gas emissions from heavy- duty engines. In December 2021, CARB adopted more stringent standards to reduce nitrogen oxide emissions from heavy- duty trucks and also adopted regulations to accelerate large- scale transition in California to zero- emission medium and heavy- duty trucks, including trucks of a type used in our operations in California. CARB' s Advanced Clean Truck regulation is designed to ensure that zero- emission vehicles are brought to market in California and regulation requires manufacturers to sell zero- emission trucks as an increasing percentage of their annual California sales. While CARB' s Advanced Clean Truck regulation and proposed Advanced Clean Fleets regulation may permit companies to seek exemptions or relief, there are no assurances that relief from either regulation will be obtained. At this point, there are virtually no zero- emissions vehicles widely available that are suitable replacements for current technology used in less- than- truckload operations. If zero- emission vehicles are not available or not commercially viable for the less- than- truckload market, we may be required to modify or curtail our operations in California. The transition to utilizing zero- emission vehicles could have a material adverse effect on our financial condition, results of operations, and cash flows or may require us to incur significant additional costs, any of which could negatively impact our business** . Future laws and regulations may be more stringent and may require changes to our operating practices that influence the demand for our services or require us to incur significant additional costs. We are unable to predict the impact that recently enacted and future regulations may have on our business. In particular, it is difficult to predict which, and in what form, FMCSA regulations may be modified or enforced, and what impact these regulations may have on motor carrier operations. If higher costs are incurred by us as a result of future changes in regulations, or by third- party transportation providers who pass increased costs on to us, this could adversely affect our results of operations to the extent we are unable to obtain a corresponding increase in price from our customers. Furthermore, political conditions may increase the level of intensity of regulations that impact our business, may require changes to our operating practices, may influence demand for our services, or may require us to incur significant additional costs, any of which could negatively impact our business. Failure to comply with trade compliance **and anti- corruption** laws and regulations applicable to our operations ~~may~~ **could expose us to potential fines, criminal sanctions, or reputational harm. We are a global company** subject **to changing laws, policies, sanctions, and other regulatory requirements in the U. S., the U. K. and the E. U. relating to trade compliance and anti- corruption. Economic sanctions and other trade compliance restrictions in the U. S., the U. K., the E. U., and other countries may prohibit** us **from engaging** ~~to liability and result~~ in ~~mandatory~~ **business activities with restricted entities** or ~~voluntary disclosures to government agencies of transactions or dealings involving~~ sanctioned countries ~~,~~ **. The U. S. and other export controls may restrict us from exporting specific products or arranging transportation or other services to or for the benefit of certain** entities ~~or individuals~~ **in specified countries** . ~~As a~~ **Global developments such as the ongoing conflict in Ukraine may** result ~~of our acquisition activities, we acquired companies~~ **in new and evolving sanctions and trade restrictions. Non- compliance** with ~~business~~ **trade compliance laws, policies, sanctions, and other regulatory requirements could result in reputational harm,** ~~operations~~ **operational** ~~outside the~~ **delays, monetary fines and penalties, loss of revenues, increased costs, loss of export privileges, and criminal sanctions. The** U. S. ~~, some of which were not previously subject to certain U. S. laws and regulations, including trade sanctions administered by the Office of~~ Foreign ~~Assets Control~~ **Corrupt Practices Act** (" ~~OFAC~~ **FCPA** ") ~~of~~ **,** the U. ~~S~~ **K** . ~~Department of~~ **Bribery Act, Sapin II and** ~~the~~ **other** ~~Treasury. In the course of implementing~~ **anti- corruption laws and regulations prohibit corrupt payments by our employees, vendors,** ~~our~~ - **or agents. While** ~~compliance processes with respect to the operations of these acquired companies,~~ we have ~~identified a number~~ **implemented policies, training, and internal controls designed to reduce the risk** of ~~transactions~~ **corrupt payments,** ~~or~~ **our** ~~dealings involving countries~~ **employees, vendors, or agents may violate our policies** and **controls** ~~entities that are subject to U~~ . ~~S. economic~~ **Our failure to comply with anti- corruption laws and regulations could result in monetary fines and penalties, criminal** sanctions **against** ~~. As disclosed in our reports filed with the SEC, we filed initial voluntary disclosure of such matters with OFAC in August 2016. In August 2018, OFAC addressed these matters by responding with a cautionary letter to~~ us ~~. To our knowledge~~ , ~~OFAC is considering no further action in response to the voluntary disclosure filed by us in August 2016. We may, in the future, identify additional transactions or~~ **our officers** ~~dealings involving sanctioned countries~~ , ~~entities~~ **or** ~~or~~ **our** ~~individuals. The transactions~~ **employees, restrictions on the conduct of** ~~or~~ **our business** ~~dealings that we have identified to date~~ , ~~or other transactions or dealings that we may identify in the future, could result in negative consequences to us, including government investigations, penalties~~ and reputational harm. INDUSTRY RISK Risks related to Our Markets ~~,~~ **and** Competition ~~and Brexit~~ We operate in a highly competitive industry and, if we are unable to adequately address factors that may adversely affect our revenue and costs, our business could suffer. Competition in the transportation services industry is intense. Increased competition may lead to a reduction in revenues, reduced profit margins, or a loss of market share, any one of which could harm our business. There are many factors that could impair our profitability, including the following: (i) competition from other transportation services companies, some of which offer different services or have a broader coverage network, more fully developed information technology systems and greater capital resources than we do; (ii) a reduction in the rates charged by our competitors to gain business, especially during times of declining economic growth, which may limit our ability to maintain or increase our rates, maintain our operating margins or achieve significant growth in our business; (iii) shippers soliciting bids from multiple transportation providers for their shipping needs, which may result in the depression of freight rates or loss of business to competitors; (iv) the establishment by our competitors of cooperative relationships to increase their ability to address shipper needs; (v) decisions by our current or prospective customers to develop or expand internal capabilities for some of the services we provide; and (vi) the development of new technologies or business models that could result in our disintermediation in certain services we provide. ~~The withdrawal of the United Kingdom from the European Union may have a negative effect on global economic conditions, financial markets and our operations. In June 2016, a majority of voters in the U. K. voted in favor of the U. K.' s withdrawal from the EU (" Brexit ") in a national referendum. On January 31, 2020, the U. K. withdrew from the EU. The referendum and subsequent withdrawal of the U. K. from the EU have created significant uncertainty about the future relationship between the U. K. and the EU and will have uncertain impacts on our transportation operations in Europe. In 2022, we derived approximately 11 % of our revenue from the U. K. and an aggregate 28 % from the rest of the European countries where we operate. Following Brexit, the movement of goods between the U. K. and the remaining member states of the EU has become subject to additional inspections and documentation checks, which may create delays at ports of entry and departure and potential impacts on our ability to efficiently provide our transportation services. Moreover, currency volatility could drive a weaker U. K. pound which could result in a decrease in our reported consolidated financial results for the U. K., which are reported in U. S. dollars. Any adverse consequences of Brexit, such as a deterioration in the U. K.' s or the EU' s economic condition, currency exchange rates, bilateral trade agreements or regulatory trade environment, including the potential imposition of tariffs, could reduce demand for our services in the U. K. or the EU or otherwise have a negative impact on our operations, financial condition and results of operations.~~