



Notice of 2020 Annual Meeting
Proxy Statement | 2019 Annual Report

XPO Logistics, Inc. (NYSE: XPO) is a top ten global logistics provider of cutting-edge supply chain solutions to the most successful companies in the world. The company operates as a highly integrated network of people, technology and physical assets in 30 countries, with 1,504 locations and approximately 100,000 employees. XPO uses its network to help more than 50,000 customers manage their goods most efficiently throughout their supply chains. XPO's corporate headquarters is in Greenwich, Conn., USA, and its European headquarters is in Lyon, France. xpo.com



Forward-looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target," "trajectory" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include the risks discussed in our filings with the SEC and the following: the severity, magnitude and duration of the COVID-19 pandemic; economic conditions generally; competition and pricing pressures; our ability to align our investments in capital assets, including equipment, service centers and warehouses, to our customers' demands; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; our ability to develop and implement suitable information technology systems and prevent failures in or breaches of such systems; our substantial indebtedness; our ability to raise debt and equity capital; our ability to implement our cost and revenue initiatives; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; litigation, including litigation related to alleged misclassification of independent contractors and securities class actions; labor matters, including our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; fluctuations in currency exchange rates; fluctuations in fixed and floating interest rates; fuel price and fuel surcharge changes; issues related to our intellectual property rights; governmental regulation, including trade compliance laws, as well as changes in international trade policies and tax regimes; and governmental or political actions, including the United Kingdom's exit from the European Union. All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.

To Our Stockholders

Things are difficult right now and they'll get worse in the short-term. Then they'll get much, much better. That's what I see for XPO, our industry and the world.

I'm a pragmatic bear in the short-term, because that's the reality of COVID-19.

We expect that 2020 will be a lost year for earnings growth in our industry and most industries around the world. Our first priority is to keep our employees out of harm's way. Second is our duty as an essential provider of transportation and logistics services. We're helping communities get through this, so the economy can get back on its feet.

Here's what we've been seeing at XPO. We had ears to the ground from day one in Asia, where we have about five million square feet of logistics space, including a footprint in Wuhan, China. Our Chinese logistics sites are all back up and running at about 90% of prior levels. Our European operations saw the impact next, starting with Italy and followed by Spain and France at roughly the same time; then the UK and other parts of Europe. North America was the most recent, and the most rapid, escalation.

From a demand standpoint, January was very good and February and early March were reasonably good. The last half of March declined sharply as large sectors of the economy came to a near halt. Our industry is a leading indicator, so we felt the pain early, and we'll be at the forefront of the rebound when the world returns to work. We expect that to happen in fits and starts in the back half of the year, as extreme social distancing winds down.

Timing can be tricky under these circumstances, but our major markets appear to be in the worst of it now, in mid-April. One thing is clear: there's a beginning, a middle and an end to this. Most other countries aren't in a position to enact the methodical return-to-work process we saw in China, so a global rebound may take longer, but it's a certainty. Never before have so many governments, industries, individuals, technologies and scientific resources been focused on solving a single problem. It will be resolved.

I'm a bull in the mid-term and a mega-bull in the long-term.

We believe that some of the behaviors reshaped by the pandemic may become economic tailwinds in our industry. For example, e-commerce growth, which was already at a double-digit rate, could accelerate in the post-pandemic world. Millions of consumers have become more accustomed to online shopping for food, household goods, pet supplies, health and beauty products, furniture and appliances without leaving their homes. If this proves to be secular, it will drive even more demand for e-fulfillment, omnichannel retail, reverse logistics and last mile logistics.

More immediately, we're adapting to current demand, moving medical products, personal protective equipment, food and beverages, telecommunication devices, household staples and business supplies. The crisis has made partners of fierce competitors in our industry. We're working together to get all types of goods to the people who need them.

I'm immensely grateful to our employees, particularly those on the front lines, for stepping up to the challenge of providing essential services. We acted quickly to instill comprehensive safety protocols specific to the pandemic and help our team cope with the disruption. Once our people knew we had their backs, their next instinct was to collaborate for the common good.

In North America, we added Pandemic Paid Sick Leave to our standard benefits. This gives affected, full-time employees up to two weeks of sick leave in addition to annual paid time off. We also added free COVID-19 testing to our US insurance policies, and we provide free access to telemedicine through a virtual clinic with a 24/7 nurse hotline.

Globally, our employees are guaranteed up to three additional days of full pay if an XPO facility temporarily closes for deep cleaning. We also introduced online programs in seven languages to help our people manage change during the pandemic. These include video sessions on health and safety, stress management and working remotely.

Importantly, we're paying attention to the mental and emotional health of our employees. We've made free mental health counseling sessions available to all US employees and their dependents during the crisis through our Employee Assistance Program. We've also been sharing some coping techniques based on cognitive behavioral therapy to alleviate the fear and anxiety that comes from uncertainty.

I'm talking about these XPO actions for a reason. We're not the only company in our industry – or in any industry – that's taking extraordinary measures to safeguard their employees. Demand is going to come back, and when it does, XPO and other providers who took care of their people will be right there to meet that demand.

Long-term, the services we provide as a company and industry will continue to be the bedrock of all economies. I believe that supply chains will become more ironclad against disruption. Artificial intelligence will lead to greater sharing of information, and threats like pandemics and natural disasters will be detected much earlier. I have faith in the human race that we'll use our creativity to find new ways to collaborate and lead more enriched lives.

Longer-term still, the world may move toward the singularity that Ray Kurzweil envisions, where the merging of human intelligence and technology will transform how societies are served by commerce. One key part of that future – virtual interactions – is another way to stave off risks related to physicality.

We've deliberately built XPO like a bulletproof tank to surmount all kinds of challenges.

We weren't thinking "seismic societal disruption" when we started XPO, but we were prepared for strong shocks to the economy. Why? Because our leadership team has lived that. The dot-com bust, the 9/11 terrorist attacks and the Great Recession all seemed crushing in the moment, but they were no match for the human spirit, and things moved forward.

Consumer confidence is very weak right now, but once testing, therapeutic drugs and a vaccine are widely available, confidence will rebound and the global mechanisms for GDP growth will resume. We think that will be in 2021, and when it happens, we have a number of things going for us.

First is something we share with our entire industry. Transportation and logistics are inherently valuable to all populations; we're part of the economic and social fabric. Whether COVID-19 is driving permanent changes in behavior, or will prove more temporary, our industry will still be needed.

Next are some things specific to XPO. As pockets of the economy begin to recover, our diversity of customers, verticals, geographies and lines of business will allow us to respond in targeted ways. We expect to see the upswing first in our large customer relationships, which include nearly 70% of the Fortune 500.

Our longstanding investments in technology give us another head start on future growth. We identified intelligent technology as the long-term future of our industry about a decade ago. Since then, we've invested billions of dollars in digital freight management, virtual reality, advanced automation, demand forecasting, productivity analytics and other innovations that support our customers and make the best use of our people's talents.

We're learning just how mighty our tech can be under the current stress-test. In Madrid, for example, our Spanish team worked with authorities in the Castilla y León region to deploy robots capable of testing inbound medical products at a rate of 2,500 tests per robot per hour. That sped up our distribution of 28 million masks, 500 respirators, 400,000 test kits, 17 million gloves, 400,000 medical suits and 550,000 protective eyeglasses and screens.

In addition, our analytics allow us to problem-solve in accelerated timeframes and deploy rapid solutions. The machine learning we've built into our platform is assimilating atypical data, enabling us to react quickly. Several of our proprietary innovations reached a critical development phase in 2019, and we expect them to be significant differentiators going forward.

COVID-19 is also teaching us how to be an even more unified, forward-looking team. We're adapting all the time and documenting practices we can use in the future. XPO has never been a company of silos, but what few silos there were have disappeared. There's more collaboration, more empathy for others and more smiles in voices on the phone.

I'll give you one of thousands of examples that make me proud of our employees' resourcefulness. In late March, one of our outsourced providers was unable to enter data due to mandated COVID-19 shutdowns. This particular vendor normally processes 45,000 to 55,000 documents daily, and our less-than-truckload customers use the data to track their freight. In about five days, we trained over 600 of our XPO colleagues in alternate locations, got completely caught up and were moving forward with a sustainable solution we can adapt to other circumstances. One of our managers told me, "Before this happened, I would have quoted three to six months to move that much work. We did it in five days—no RFPs, no consultants, no travel."

Importantly for our investors, we have a remarkably strong business model. When times get tough, our company generates a lot of cash. Even in these circumstances, we expect hundreds of millions of dollars of free cash flow this year. We've throttled back our growth capex. Working capital should become a source of cash instead of a use. Our proceeds from real estate sales also contribute to liquidity. And the large variable portion of our transportation model lets us control costs while retaining access to capacity.

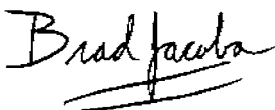
Our liquidity is very strong. We currently have \$1 billion of cash in the bank, plus about \$500 million of total borrowings available between our ABL and other bank facilities. Our next significant debt maturity isn't until June 2022, and some of our debt doesn't mature until 2034. There will be no shortage of opportunities for us to allocate capital and enhance shareholder value.

In summary, life is complicated at the moment, but we think 2021 will be a much better year, and it will get better from there.

Warren Buffett said human potential is far from exhausted. That's exciting to contemplate and humbling to see it reflected in our own experience. This crisis has made it abundantly clear that we have tens of thousands of superstars at XPO. Our customers won't forget the way we stood by them under siege.

There's been a lot of noise lately about what the "new normal" may look like in the future. We believe it will look better than the old normal – better for XPO, our investors, customers and employees. My heartfelt thanks to all of you.

April 16, 2020



Bradley S. Jacobs
Chairman and Chief Executive Officer



XPO LOGISTICS, INC.
Five American Lane
Greenwich, Connecticut 06831

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 14, 2020

To the Stockholders of XPO Logistics, Inc.:

Notice is hereby given that the 2020 Annual Meeting of Stockholders (the "Annual Meeting") of XPO Logistics, Inc. ("XPO" or the "company") will be held on Thursday, May 14, 2020 at 10:00 a.m. Eastern Daylight Time as a virtual meeting via webcast due to the public health concerns related to the COVID-19 pandemic. You can access the meeting at www.meetingcenter.io/229070589 with password XPO2020. You will also be required to have a control number to access the Annual Meeting. Please follow the instructions on pages 7-8 of the Proxy Statement.

The Annual Meeting shall be held for the following purposes, as more fully described in the Company's Proxy Statement accompanying this notice (the "Proxy Statement"):

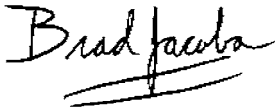
- To elect eight (8) members of our Board of Directors for a term to expire at the 2021 annual meeting of stockholders or until their successors are duly elected and qualified;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2020;
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 1,150,000 to a total of 6,550,000;
- To conduct an advisory vote to approve the executive compensation of our named executive officers ("NEOs") as disclosed in the Proxy Statement;
- To consider and act upon a stockholder proposal regarding the integration of environmental, social, and governance ("ESG") metrics into executive compensation, if properly presented at the Annual Meeting;
- To consider and act upon a stockholder proposal regarding the requirement that the chairman of the board be an independent director, if properly presented at the Annual Meeting;
- To consider and act upon a stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if properly presented at the Annual Meeting;
- To consider and act upon a stockholder proposal regarding the acceleration of executive equity awards in the case of a change in control of the Company, if properly presented at the Annual Meeting; and
- To consider and transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record of our common stock, par value \$0.001 per share, and our Series A Convertible Perpetual Preferred Stock, par value \$0.001 per share, as of the close of business on April 9, 2020 are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the Annual Meeting.

On or about April 21, 2020, we will mail a Notice of Internet Availability of Proxy Materials to our stockholders of record as of the record date. The notice contains instructions on how you can obtain internet access to our Proxy Statement and our Annual Report, which includes our Annual Report on Form 10-K for the 2019 fiscal year. The notice also contains instructions on how you can request a paper copy of the proxy materials, including a form of proxy.

Your vote is important. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. We ask that you vote your shares as soon as possible.

By Order of the Board of Directors,

A handwritten signature in black ink that reads "Brad Jacobs". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Bradley S. Jacobs
Chairman and Chief Executive Officer

Greenwich, Connecticut
April 21, 2020

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 14, 2020:

The Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2019 are available at www.edocumentview.com/XPO

TABLE OF CONTENTS

PROXY STATEMENT SUMMARY	1
QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING	7
BOARD OF DIRECTORS AND CORPORATE GOVERNANCE	13
An Overview of Our Mission and How Our Board Composition is Aligned with Our Strategy	13
Directors	14
Summary of Qualifications and Experience of Director Nominees	19
Role of the Board and Board Leadership Structure	20
Board Risk Oversight	20
Committees of the Board and Committee Membership	21
Director Compensation	23
Compensation Committee Interlocks and Insider Participation	24
Corporate Governance Guidelines and Code of Business Ethics	24
Director Independence	25
Director Selection Process	25
Human Resource Management	26
Board Oversight of Sustainability Matters	27
Stockholder Communication with the Board	27
Stockholder Proposals for Next Year's Annual Meeting	27
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	28
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	29
EXECUTIVE COMPENSATION	32
Compensation Discussion and Analysis	32
Compensation Committee Report	53
Compensation Tables	54
Employment Agreements with NEOs	59
Equity Compensation Plan Information	62
AUDIT-RELATED MATTERS	63
Report of the Audit Committee	63
Policy Regarding Pre-Approval of Services Provided by the Outside Auditors	64
Services Provided by the Outside Auditors	64
PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING	65
Proposal 1: Election of Directors	65
Proposal 2: Ratification of the Appointment of KPMG LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2020	66
Proposal 3: Approval of an Amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to Increase the Number of Available Shares	67
Proposal 4: Advisory Vote to Approve Executive Compensation	75
Proposal 5: Stockholder Proposal Regarding Integration of ESG Metrics Into Executive Compensation	76
Proposal 6: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director	78
Proposal 7: Stockholder Proposal Regarding Ways to Strengthen the Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives	80
Proposal 8: Stockholder Proposal Regarding Acceleration of Executive Equity Awards in the Case of a Change in Control	83
Other Matters	85
ADDITIONAL INFORMATION	86
ANNEX A - RECONCILIATION OF NON-GAAP MEASURES	87
ANNEX B - AMENDMENT TO THE XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN	91
ANNEX C - XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN	92

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 14, 2020:

This Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2019 are available at www.edocumentview.com/XPO.

PROXY STATEMENT SUMMARY

This Proxy Statement sets forth information relating to the solicitation of proxies by the Board of Directors ("Board of Directors" or "Board") of XPO Logistics, Inc. in connection with our 2020 Annual Meeting of Stockholders. This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

2020 ANNUAL MEETING OF STOCKHOLDERS

We intend to mail our Notice of Internet Availability of Proxy Materials ("Notice") on or about April 21, 2020, to our stockholders of record as of the close of business on April 9, 2020 (the "Record Date").

Date and Time	Place	Record Date
 Thursday, May 14, 2020 at 10:00 a.m. Eastern Daylight Time	 Virtual Meeting Site: www.meetingcenter.io/229070589	 You can vote if you were a stockholder of record as of the close of business on April 9, 2020

Admission: You will not be able to attend the Annual Meeting in person this year. You can access the Annual Meeting at www.meetingcenter.io/229070589 with password XPO2020. You will need to provide the control number on your notice or proxy card in order to access the Annual Meeting. If the shares of common stock you hold are in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in "street name"), you must register in advance to participate in the Annual Meeting, vote electronically and submit questions during the live webcast of the meeting. To register, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares giving you the right to vote the shares. Requests for registration should be directed to our transfer agent, Computershare Trust Company, N.A. ("Computershare"), by email at legalproxy@computershare.com no later than 5:00 p.m. Eastern Time, on Friday, May 11, 2020. You will receive a confirmation of your registration, with a control number, by email from Computershare. At the time of the meeting, go to www.meetingcenter.io/229070589 and enter your control number and the meeting password, XPO2020.

VOTING MATTERS AND BOARD RECOMMENDATIONS

The Board is not aware of any matter that will be presented for a vote at the 2020 Annual Meeting of Stockholders other than those shown below.

	Board Vote Recommendation	Page Reference (for more detail)
PROPOSAL 1: Election of Directors To elect eight (8) members of our Board of Directors for a term to expire at the 2021 annual meeting of stockholders or until their successors are duly elected and qualified.	✓ FOR each Director Nominee	13-27, 65
PROPOSAL 2: Ratification of the Appointment of our Independent Public Accounting Firm To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2020.	✓ FOR	64, 66
PROPOSAL 3: Approval of an Amendment to the Company's Incentive Compensation Plan To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 1,150,000 to a total of 6,550,000.	✓ FOR	67-74, 91-107
PROPOSAL 4: Advisory Vote to Approve Executive Compensation To conduct an advisory vote to approve the executive compensation of our named executive officers ("NEOs") as disclosed in this Proxy Statement.	✓ FOR	75
PROPOSAL 5: Stockholder proposal regarding integration of ESG metrics into executive compensation To consider how to integrate environmental, social, and governance metrics into executive compensation.	✗ AGAINST	76-77
PROPOSAL 6: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director To adopt a requirement that the chairman of the Board be an independent director.	✗ AGAINST	78-79

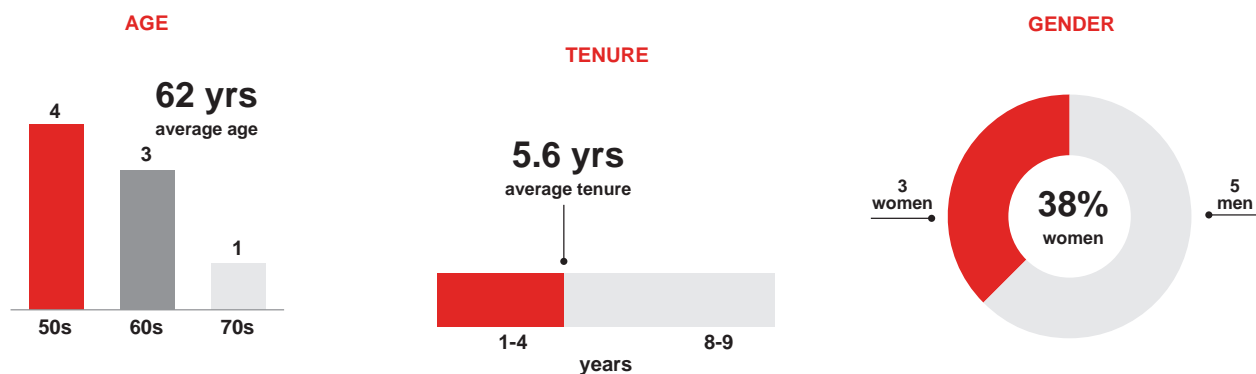
<p>PROPOSAL 7: Stockholder Proposal Regarding Ways to Strengthen the Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives</p> <p>To adopt measures to strengthen the company's prevention of workplace sexual harassment and align senior executive compensation incentives.</p>	<p>X AGAINST</p>	<p>80-82</p>
<p>PROPOSAL 8: Stockholder Proposal Regarding Acceleration of Executive Equity Awards in the Case of a Change in Control</p> <p>To adopt a policy that, in the event of a change in control, there shall be no acceleration of vesting of any equity award granted to any senior executive officer.</p>	<p>X AGAINST</p>	<p>83-84</p>

GOVERNANCE HIGHLIGHTS

<p>Board and Committee Independence</p>	<p>Eight of our nine current directors are independent.</p> <p>The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee consist entirely of independent directors.</p>
<p>Independent Board Oversight and Leadership Roles</p>	<p>In 2016, our Board added a robust lead independent director position to its leadership structure to complement the roles of our independent committees and independent committee chairmen in providing effective Board oversight. In 2019, our Board added the position of an independent vice chairman to its leadership structure to provide support on key governance matters and shareholder engagement to our chairman, lead independent director and the Board. These independent structures work in conjunction with the dual roles served by our chairman and chief executive officer. The Board believes the Board and company's leadership structure functions well for our company and is in the best interests of our stockholders based on the company's current strategy and ownership structure.</p>
<p>Board Refreshment</p>	<p>Our Board is committed to creating an effective mix of useful expertise and fresh perspectives among its members, including through the thoughtful refreshment of the Board when appropriate. In 2015, the Board initiated a process to seek out highly qualified director candidates who bring relevant experience to the Board and reflect our company's growing scale and diversity. This has resulted in the addition of five new directors, one in 2015, one in 2016, one in 2017 and two in 2019.</p>
<p>Committee Rotations</p>	<p>As part of its annual review of Board committee composition and committee chairmen assignments, in May 2018, and again in March 2019, the Board reconstituted its committees in order to enhance the effective functioning of the committees and bring fresh perspectives to committee processes.</p>
<p>Annual Director Elections</p>	<p>All directors are elected annually for one-year terms or until their successors are elected and qualified.</p>
<p>Majority Voting for Director Elections</p>	<p>Our bylaws provide for a majority voting standard in uncontested elections, and further require that a director who fails to receive a majority vote must tender his or her resignation to the Board.</p>
<p>Board Evaluations</p>	<p>Our Board regularly reviews committee and director performance and practices through an annual process of self-evaluation.</p>
<p>Risk Oversight and Financial Reporting</p>	<p>Our Board seeks to provide robust oversight of current and potential risks facing our company through regular deliberations and participation in management meetings. Our Audit Committee supports strong financial reporting oversight through regular meetings with management and dialogue with our auditors.</p>
<p>Active Participation</p>	<p>Our Board held 17 meetings during 2019 and each person currently serving as a director attended at least 88% of the meetings of our Board and any Board committee on which he or she served.</p>

2020 BOARD OF DIRECTORS NOMINEES

Our Board aims to create a team of directors with diverse experiences and perspectives to provide our complex, global company with thoughtful and engaged board oversight. When selecting new directors, our Board considers, among other things, the nominee's breadth of experience, financial expertise, integrity, ability to make independent analytical inquiries, understanding of our company's business environment, experience in areas relevant to our company's businesses and willingness to devote adequate time to Board duties, all in the context of the needs of the Board at that point in time and with the objective of ensuring a diversity of backgrounds, experience and viewpoints among Board members. Our Board also endeavors to actively seek out highly qualified women and individuals from underrepresented minorities to include in the pool from which Board nominees are chosen and has engaged in a purposeful process of regular refreshment as demonstrated by the following key metrics:



The following table provides summary information about each director nominee. Each director is elected annually by a majority of the votes cast.

Name	Director Since	Age	Occupation	Independent	Committee Memberships			
					AC	CC	NCGC	AcqC
Bradley S. Jacobs	2011	63	Chairman and Chief Executive Officer, XPO Logistics, Inc.					
Gena L. Ashe	2016	58	General Counsel and Corporate Secretary, Anterix Inc.	Y	✓			✓
Marlene M. Colucci	2019	57	Executive Director of The Business Council	Y		✓		✓
AnnaMaria DeSalva	2017	51	Vice Chairman, XPO Logistics, Inc.; Global Chairman and Chief Executive Officer, Hill+Knowlton Strategies	Y			C	
Michael G. Jesselson	2011	68	Lead Independent Director, XPO Logistics, Inc.; President and Chief Executive Officer, Jesselson Capital Corporation	Y	✓	✓	✓	
Adrian P. Kingshott	2011	60	Chief Executive Officer, AdSon, LLC; Managing Director, Spotlight Advisors, LLC	Y				C
Jason D. Papastavrou*	2011	57	Founder and Chief Investment Officer, ARIS Capital Management, LLC	Y	✓	C	✓	
Oren G. Shaffer*	2011	77	Former Vice Chairman and Chief Financial Officer, Qwest Communications International, Inc.	Y	C			

AC = Audit Committee

CC = Compensation Committee

NCGC = Nominating and Corporate Governance Committee















AcqC = Acquisition Committee

C = Committee Chairman

✓ = Committee Member

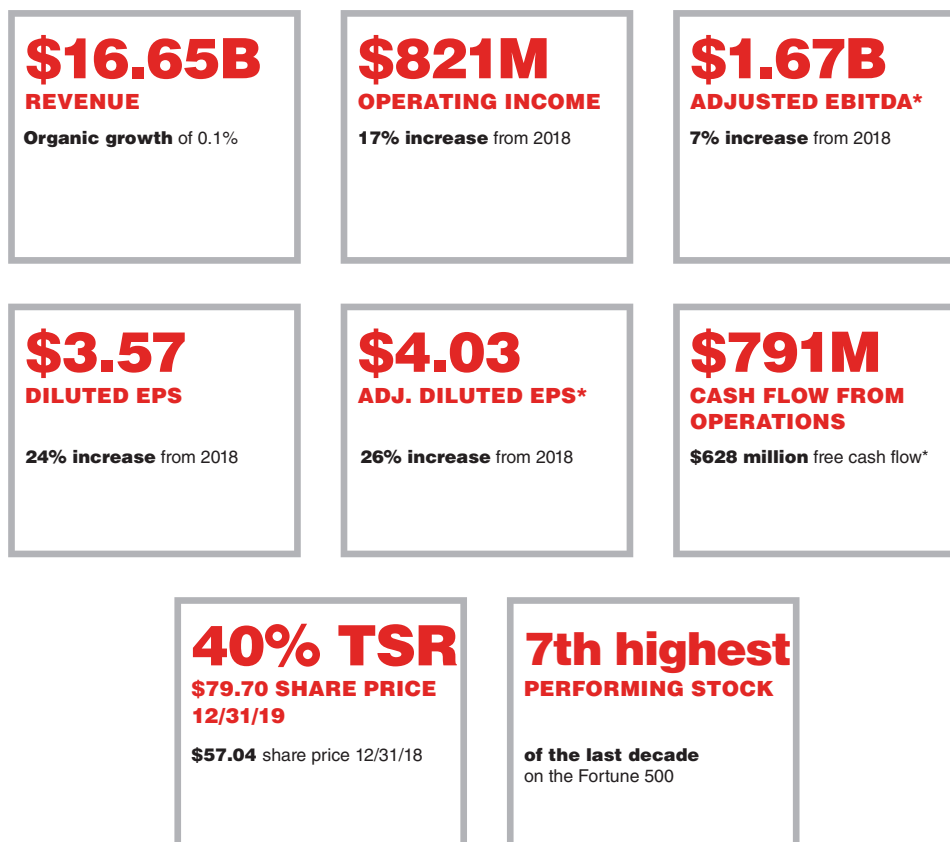
* = Audit Committee Financial Expert

The following table provides a summary of the qualifications and experience of our director nominees.

SKILL	TOTAL OF 8
 BUSINESS OPERATIONS	8
 CORPORATE GOVERNANCE	8
 CUSTOMER SERVICE	4
 ENVIRONMENTAL SUSTAINABILITY AND CORPORATE RESPONSIBILITY	5
 EFFECTIVE CAPITAL ALLOCATION	5
 CRITICAL ANALYSIS OF CORPORATE FINANCIAL STATEMENTS AND CAPITAL STRUCTURES	7
 HUMAN RESOURCE MANAGEMENT	5
 MULTINATIONAL CORPORATE MANAGEMENT	8
 SALES AND MARKETING	3
 MERGERS AND ACQUISITIONS, INTEGRATION AND OPTIMIZATION	7
 TRANSPORTATION AND LOGISTICS INDUSTRY	2
 RISK MANAGEMENT	8
 TALENT MANAGEMENT AND ENGAGEMENT	8
 TECHNOLOGY AND INFORMATION SYSTEMS	3

2019 PERFORMANCE HIGHLIGHTS

XPO realized numerous financial achievements in 2019 under the skilled leadership of our NEOs:



* See Annex A for reconciliation of this non-GAAP measure.

SUSTAINABILITY EFFORTS

We are pleased to have published our 2019 Sustainability Report highlighting our initiatives in the following areas:



PEOPLE AND CULTURE Our people are our greatest strength as a company and the bedrock of our organization. That's why our highest priority is to provide a rewarding workplace that's safe, welcoming and supportive of professional development. We actively look to recruit individuals who are passionate about making a difference at every level. Whether it's through improving business processes or volunteering for charitable causes, we're at our best when each of us seeks to better the lives of those around us. This communal sense of responsibility connects our team worldwide as One XPO.

MOVING THE WORLD FORWARD At XPO, we're providing many of the world's most prominent companies with innovative solutions that help them future-proof their supply chains. We believe that great technology in the hands of highly engaged employees is the ultimate way to differentiate our services and deliver tangible value to our customers and investors.

SAFETY-FIRST COLLABORATION At XPO, our strong safety culture is rooted in how we think about our company and our personal responsibilities at work. We're a team that looks out for each other, our communities and our environment. Safety is our number one priority – it touches every aspect of our business, every XPO stakeholder and every member of the XPO family.

GOVERNANCE AND COMPLIANCE The best way to guarantee our success and the success of our stakeholders is to perform to the highest standards of business conduct – not just with large projects, but in the small ways we interact daily. We're proud that Fortune magazine named XPO one of the World's Most Admired Companies again in 2019. It reflects how others see us and shows that we're earning trust.

2019 COMPENSATION HIGHLIGHTS

Our compensation programs for NEOs align with our company's pay-for-performance culture by linking executive compensation to long-term stockholder value. The Compensation Committee's commitment to a pay-for-performance philosophy ensures that this alignment is reflected in our NEO compensation programs. Under Mr. Jacobs' strong leadership, for its first eight fiscal years combined (2012-2019), the company increased stockholder value by \$7.2 billion, as represented by the change in XPO's market capitalization from December 31, 2011 through December 31, 2019. Mr. Jacobs' average annual realized pay from 2012 to 2019 was \$9.9 million per year. Cumulatively, this equates to 1.1% of the total value created for stockholders during the eight-year period.

Realized Pay Demonstrates Actual Value of Compensation Earned by Our NEOs

Realized pay represents the compensation actually received by our executives in a given year and is calculated as the sum of: (i) salary paid; (ii) bonus(es) related to the performance year; and (iii) the value of long-term incentive compensation that vested in the year, calculated based on the closing stock price on the date the award vested. The realized pay measure, utilized consistently, allows our stockholders to assess whether the actual value of the compensation received by our CEO and other executive officers is rightsized relative to stockholders' return on investment in the company over time. In 2019, total realized pay was 92% performance-based for our CEO, Mr. Jacobs, and 77% and 76% performance-based for Mr. Cooper and Mr. Harik, respectively.

Performance Awards Align Interests of NEOs with Stockholders

The alignment of management's objectives with stockholders' interests is of critical importance, and the Compensation Committee holds our executives accountable for achieving rigorous annual and multi-year growth targets. The underlying premise is that an abundance of organic and inorganic opportunities exist to create incremental value for stockholders. The Compensation Committee believes that optimal compensation incentives motivate executives to balance short-term and long-term initiatives for competitive differentiation, market share gains, and revenue and margin expansion.

In determining the framework for performance-based awards, the Compensation Committee typically selects high-growth stretch goals for key indicators that extend beyond annual targets, and that vest on a long-term basis once the goals are entirely achieved. The awards typically reflect the inherent hurdles in achieving aspirational goals over a long period of time and align executive interests with the interests of our stockholders.

All Equity Awards are Performance-Based for Mr. Jacobs, Mr. Cooper and Mr. Harik

Outstanding equity awards for Mr. Jacobs, Mr. Cooper and Mr. Harik are 100% performance-based as summarized below:

TIMELINE AND PERFORMANCE GOALS FOR OUTSTANDING AWARDS AS OF DECEMBER 31, 2019										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2016 PSU	Corporate strategic goal Annual adjusted cash flow per share by December 31 of each year: 2016, 2017, 2018 and 2019									
	\$2.93	*\$3.96	*\$5.38	*\$6.39						
2019-2022 PSU (Granted August 2018)				Alignment with stockholders \$225 closing share price averaged over 20 consecutive trading days by 12/31/22				*		
				Corporate strategic goal \$14.00 adjusted cash flow per share by 12/31/22						
2019-2024 PSU (Granted June 2019)				Alignment with stockholders Exceed S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by 12/31/24						*
				Corporate strategic goal \$9.08 adjusted earnings per share (CAGR of 19%) by 12/31/24						

* If earned, PSUs are certified and paid/settled in the first quarter of the following year. As of December 31, 2019, the 2016, 2017 and 2018 tranches of the 2016 PSU have been earned. As of February 19, 2020, the fourth and final tranche, related to 2019 performance, has also been earned.

Key features of our outstanding equity awards for Mr. Jacobs, Mr. Cooper and Mr. Harik are outlined below:

- ✓ Staggered cliff vesting reduces risk and maintains focus on long-term value creation.
- ✓ There is no threshold level for below-target performance (no payout if targets are not fully met).
- ✓ Targets emphasize high-growth and high returns, incentivizing NEOs to capitalize on a mix of addressable opportunities.
- ✓ Recent awards are balanced with two performance measures, including a relative market-based measure for the 2019-2024 PSU award (granted in June 2019).
- ✓ Performance awards are subject to clawback restrictions.

As executive officers at XPO, Mr. Jacobs, Mr. Cooper and Mr. Harik have not sold any shares from vested equity and have not exercised any stock options. In addition, all vested awards are subject to lock-up restrictions prohibiting the sale of shares or exercise of options until September 2, 2020.

Responsive to Stockholder Feedback

We believe that strong corporate governance should include year-round engagement with stockholders, including constructive dialogue on our executive compensation program. Feedback received from stockholders in 2019, related to executive compensation matters, was shared with the Committee and incorporated into its decision-making process:

- ✓ Increased disclosure about the Committee's decision-making process, including:
 - Inclusion of the new proxy section "Execution of XPO Company Strategy—Effect on Timing of Grants of Equity Awards";
 - Detailed discussion of outstanding performance stock units (PSUs);
 - Detailed discussion of performance metrics underpinning outstanding PSUs; and
 - Supplemental materials filed with this proxy.
- ✓ Revised PSU award construct for the 2019-2024 PSU (granted in June 2019), including the addition of a relative market-based measure.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

This Proxy Statement sets forth information relating to the solicitation of proxies by the Board of Directors (our “Board of Directors” or our “Board”) of XPO Logistics, Inc. (“XPO” or our “company”) in connection with our 2020 Annual Meeting of Stockholders (the “Annual Meeting”) or any adjournment or postponement thereof. This Proxy Statement (the “Proxy Statement”) is being furnished by our Board of Directors for use at the Annual Meeting to be held on May 14, 2020 at 10:00 a.m. Eastern Daylight Time as a virtual meeting via webcast due to the public health concerns related to the COVID-19 pandemic. You can access the meeting at www.meetingcenter.io/2290705989 with password XPO2020. You will also be required to have a control number to access the Annual Meeting. Please follow the instructions below.

We intend to mail our Notice of Internet Availability of Proxy Materials (“Notice”) on or about April 21, 2020, to our stockholders of record as of the close of business on April 9, 2020 (the “Record Date”).

The following answers address some questions you may have regarding our Annual Meeting. These questions and answers may not include all of the information that may be important to you as a stockholder of our company. Please refer to the more detailed information contained elsewhere in this proxy statement.

What items of business will be voted on at the Annual Meeting?

We expect that the business put forth for a vote at the Annual Meeting will be as follows:

- To elect eight (8) members of our Board of Directors for a term to expire at the 2021 annual meeting of stockholders or until their successors are duly elected and qualified (Proposal 1);
- To ratify the appointment of KPMG LLP (“KPMG”) as our independent registered public accounting firm for fiscal year 2020 (Proposal 2);
- To approve an amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan to increase the number of available shares thereunder by 1,150,000 to a total of 6,550,000 (Proposal 3);
- To conduct an advisory vote to approve the executive compensation of our named executive officers (“NEOs”) as disclosed in this Proxy Statement (Proposal 4);
- To consider and act upon a stockholder proposal regarding the integration of environmental, social, and governance (“ESG”) metrics into executive compensation, if properly presented at the Annual Meeting (Proposal 5);
- To consider and act upon a stockholder proposal regarding the appointment of an independent chairman of the board, if properly presented at the Annual Meeting (Proposal 6);
- To consider and act upon a stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if properly presented at the Annual Meeting (Proposal 7);
- To consider and act upon a stockholder proposal regarding the acceleration of executive equity awards in the case of a change in control of the Company, if properly presented at the Annual Meeting (Proposal 8); and
- To consider and transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Senior management of XPO and representatives of our outside auditor, KPMG, will be available to respond to appropriate questions.

Who can attend and vote at the Annual Meeting?

You are entitled to receive notice of and to attend and vote at the Annual Meeting, or any adjournment or postponement thereof, if, as of the close of business on April 9, 2020, the Record Date, you were a holder of record of our common stock or Series A Convertible Perpetual Preferred Stock (the “Series A Preferred Stock”).

You will not be able to attend the Annual Meeting in person this year. You can access the Annual Meeting at www.meetingcenter.io/229070589 with password XPO2020. You will also be required to have a control number to access the Annual Meeting. Please follow the instructions below. You will need to provide the control number on your notice or proxy card in order to access the Annual Meeting. If the shares of common stock you hold are in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in “street name”), you must register in advance to participate in the

Annual Meeting, vote electronically and submit questions during the live webcast of the meeting. To register, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares giving you the right to vote the shares. Requests for registration should be directed to Computershare by email at legalproxy@computershare.com no later than 5:00 p.m. Eastern Time, on Friday, May 11, 2020. You will receive a confirmation of your registration, with a control number, by email from Computershare. At the time of the meeting, go to www.meetingcenter.io/229070589 and enter your control number and the meeting password, XPO2020.

Can I ask Questions During the Annual Meeting?

Stockholders (or their proxy holders) may submit questions for the Annual Meeting's question and answer session in advance by logging in to the meeting site at www.meetingcenter.io/229070589 with password XPO2020. You will need the control number on your Notice, proxy card or confirmation email from Computershare in order to submit a question. Click on the "message" icon at the top of the screen and submit your question. Please provide your name, address (city and state) and organization, and, if applicable, the specific proposal to which your question relates. Advance questions can be submitted beginning at 9:00 a.m., Eastern Daylight Time, on May 4, 2020. Questions may also be submitted during the Annual Meeting through the meeting website. We will answer as many questions during the meeting as time will allow and will group questions together where appropriate.

How many shares of XPO common stock or Series A Preferred Stock must be present to conduct business at the Annual Meeting?

As of the Record Date, there were 91,105,728 shares of common stock issued and outstanding, each of which is entitled to one vote on each matter to come before the Annual Meeting. In addition, each share of Series A Preferred Stock is entitled to vote together with our common stock on each matter to come before the Annual Meeting as if the shares of Series A Preferred Stock were converted into shares of common stock as of the Record Date, meaning that each share of Series A Preferred Stock is entitled to approximately 143 votes on each matter to come before the Annual Meeting. As of the Record Date, there were 71,110 shares of Series A Preferred Stock issued and outstanding, representing 10,158,171 votes. As a result, a total of 101,264,299 votes are eligible to be cast at the Annual Meeting based on the number of outstanding shares of our common stock and Series A Preferred Stock, voting together as a single class.

A quorum is necessary to hold a valid meeting of stockholders. Pursuant to the company's bylaws, the presence, in person or by proxy, of the holders of a majority of the shares issued and outstanding is necessary for each of the proposals to be presented at the Annual Meeting. Accordingly, the holders of shares of our common stock or Series A Preferred Stock outstanding on the Record Date representing 50,632,151 votes must be present at the Annual Meeting. If you vote by internet, telephone or proxy card, the shares you vote will be counted towards the quorum for the Annual Meeting. Abstentions and broker non-votes are counted as present for the purpose of determining a quorum.

What are my voting choices?

With respect to the election of directors, you may vote **"FOR"** or **"AGAINST"** each of the director nominees, or you may **"ABSTAIN"** from voting for one or more of such nominees. With respect to the other proposals to be considered at the Annual Meeting, you may vote **"FOR"** or **"AGAINST"** or you may **"ABSTAIN"** from voting on any proposal. If you sign your proxy without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors with respect to the specific proposals described in this Proxy Statement and at the discretion of the proxy holders on any other matters that properly come before the Annual Meeting.

What vote is required to approve the proposals being considered at the Annual Meeting?

■ **Proposal 1: Election of eight (8) directors.** The election of each of the eight (8) director nominees named in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) by holders of shares of our common stock (including those that would be issued if all of our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present. If any incumbent director standing for re-election receives a greater number of votes "against" his or her election than votes "for" such election, our bylaws require that such person must promptly tender his or her resignation to our Board of Directors. You may not accumulate your votes for the election of directors.

Brokers may not use discretionary authority to vote shares of our common stock on the election of directors if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted in the election of directors, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the election of director nominees.

■ **Proposal 2: Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2020.** Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2020 requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present. Abstentions are not considered votes cast for purposes of tabulation and will have no effect on the ratification of KPMG. We do not expect any broker non-votes, as brokers have discretionary authority to vote on this proposal.

■ **Proposal 3: Approval of an amendment to the company’s 2016 Omnibus Incentive Compensation Plan to increase the number of available shares.** The approval of an amendment to the company’s 2016 Omnibus Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted for or against the amendment to the company’s 2016 Omnibus Incentive Compensation Plan, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this proposal.

■ **Proposal 4: Advisory vote to approve executive compensation.** Advisory approval of the resolution on executive compensation of our NEOs as disclosed in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present. This resolution, commonly referred to as a “say-on-pay” resolution, is non-binding on our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

Brokers may not use discretionary authority to vote shares of our common stock on the advisory vote to approve executive compensation if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, in order for your vote to be counted in the advisory vote to approve executive compensation, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the advisory vote to approve executive compensation.

■ **Proposal 5: Stockholder proposal regarding integration of ESG metrics into executive compensation.** Approval of a requirement that the company examine and report to stockholders how it plans to integrate ESG metrics into performance measures of named executive officers requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

■ **Proposal 6: Stockholder proposal regarding the requirement that the chairman of the board be an independent director.** Approval of a policy requiring that the chairman of the board of directors be appointed from among independent directors requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

- **Proposal 7: Stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives.** Approval of a policy requiring the company to adopt measures to strengthen prevention of workplace sexual harassment and align senior executive compensation incentives requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

- **Proposal 8: Stockholder proposal regarding acceleration of executive equity awards in the case of a change in control.** Approval of a policy requiring that in the event of a change in control there shall be no acceleration of vesting of senior executive officers’ equity awards requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Brokers may not use discretionary authority to vote shares of our common stock on this stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares of our common stock, for your vote to be counted for or against the stockholder proposal, you will need to communicate your voting decision to your bank, broker or other nominee before the date of the Annual Meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation and will have no effect on the vote on this stockholder proposal.

In general, other business properly brought before the Annual Meeting requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

How does the Board of Directors recommend that I vote?

Our Board of Directors, after careful consideration, recommends that our stockholders vote **“FOR”** the election of each director nominee named in this proxy statement, **“FOR”** ratification of KPMG as our independent registered public accounting firm for fiscal year 2020, **“FOR”** approval of an amendment to the company’s incentive compensation plan, **“FOR”** advisory approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding integration of ESG metrics into executive compensation, if such proposal is properly presented at the meeting; **“AGAINST”** the approval of the stockholder proposal regarding the requirement that the chairman of the board be an independent director, if such proposal is properly presented at the meeting; **“AGAINST”** the approval of the stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if such proposal is properly presented at the meeting; and **“AGAINST”** the approval of the stockholder proposal regarding acceleration of executive equity awards in the case of a change in control, if such proposal is properly presented at the meeting.

What do I need to do now?

We urge you to read this Proxy Statement carefully, then vote via internet or by telephone by following the instructions on the Notice or proxy card, or mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares of our common stock can be voted at the Annual Meeting of stockholders.

How do I cast my vote?

Registered Stockholders. If you are a registered stockholder (i.e., you hold your shares in your own name through our transfer agent, Computershare Trust Company, N.A., and not through a broker, bank or other nominee that holds shares for your account in “street name”), you may vote by proxy via internet or by telephone by following the instructions provided on the Notice or proxy card, or mail your completed, dated and signed proxy card in the enclosed return envelope. Proxies submitted via internet or by telephone must be received by 1:00 a.m. Eastern Daylight Time on May 14, 2020. Please see the Notice or proxy card provided to you for instructions on how to submit your proxy via internet or by telephone. Stockholders of record who attend the Annual Meeting may vote directly at the Annual Meeting by following the instructions provided during the Annual Meeting.

Beneficial Owners. If you are a beneficial owner of shares (i.e., your shares are held in the name of a brokerage firm, bank or a trustee), you may vote by proxy by following the instructions provided in the Notice, voting instruction form or other materials provided to you by the brokerage firm, bank or other nominee that holds your shares. To vote directly at the Annual Meeting, you must obtain a legal proxy from the brokerage firm, bank or other nominee that holds your shares. Follow the instructions above to obtain a control number and the instructions provided for during the Annual Meeting.

What is the deadline to vote?

If you hold shares as the stockholder of record, your vote by proxy must be received before the polls close at the Annual Meeting. As indicated on the Notice or proxy card provided to you, proxies submitted via internet or by telephone must be received by 1:00 a.m. Eastern Daylight Time on May 14, 2020.

If you are the beneficial owner of shares of our common stock, please follow the voting instructions provided by your broker, trustee or other nominee.

What happens if I do not respond, or if I respond and fail to indicate my voting preference, or if I abstain from voting?

If you fail to vote via internet or by telephone as indicated on your Notice or proxy card, or sign, date and return your proxy card, your shares will not be counted towards establishing a quorum for the Annual Meeting, which requires holders representing a majority of the outstanding shares of our common stock (including those that would be issued if all of our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) to be present in person or by proxy.

Failure to vote, assuming the presence of a quorum, will have no effect on the tabulation of the votes on the proposals. If you are a stockholder of record and you properly sign, date and return your proxy card, but do not indicate your voting preference, we will count your proxy as a vote **“FOR”** the election of the eight nominees for director named in “Proposal 1—Election of Directors,” **“FOR”** ratification of KPMG as our independent registered public accounting firm for fiscal year 2020, **“FOR”** approval of an amendment to the company’s incentive compensation plan, **“FOR”** advisory approval of the resolution to approve executive compensation, **“AGAINST”** the approval of the stockholder proposal regarding integration of ESG metrics into executive compensation, if such proposal is properly presented at the meeting, **“AGAINST”** the approval of the stockholder proposal regarding the requirement that the chairman of the board be an independent director, if such proposal is properly presented at the meeting, **“AGAINST”** the approval of the stockholder proposal regarding ways to strengthen the prevention of workplace sexual harassment and align senior executive compensation incentives, if such proposal is properly presented at the meeting, and **“AGAINST”** the approval of the stockholder proposal regarding acceleration of executive equity awards in the case of a change in control, if such proposal is properly presented at the meeting.

If my shares are held in “street name” by my broker, dealer, commercial bank, trust company or other nominee, will such broker or other nominee vote my shares for me?

You should instruct your broker or other nominee on how to vote your shares of our common stock using the instructions provided by such broker or other nominee. Absent specific voting instructions, brokers or other nominees who hold shares of our common stock in “street name” for customers are prevented by the rules set forth in the Listed Company Manual (the “NYSE Rules”) of the New York Stock Exchange (the “NYSE”) from exercising voting discretion with respect to non-routine or contested matters. We expect that when the NYSE evaluates the proposals to be voted on at the Annual Meeting to determine whether each proposal is a routine or non-routine matter, only “Proposal 2—Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for Fiscal Year 2020” will be determined to be routine. Shares not voted by a broker or other nominee, because such broker or other nominee does not have instructions or cannot exercise discretionary voting power with respect to one or more proposals, are referred to as “broker non-votes.” It is important that you instruct your broker or other nominee on how to vote your shares of our common stock held in “street name” in accordance with the voting instructions provided by such broker or other nominee.

What if I want to change my vote?

Yes. Whether you attend the Annual Meeting or not, you may revoke a proxy at any time before your proxy is voted at the Annual Meeting. You may do so by properly delivering a later-dated proxy either via internet, by telephone, by mail, or by attending the Annual Meeting in person and voting. Please note, however, your attendance at the Annual Meeting will not automatically revoke any prior proxy, unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked. You also may revoke your proxy by delivering a notice of revocation to our company (Attention: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831) prior to the vote at the Annual Meeting. If you hold your shares through a broker, dealer, commercial bank, trust company or other nominee, you should follow the instructions of such broker or other nominee regarding revocation of proxies.

How will the persons named as proxies vote?

If you are a registered stockholder (i.e., you hold your shares of our common stock in your own name through our transfer agent, Computershare Trust Company, N.A., and not through a broker, bank or other nominee that holds shares for your account in "street name") and you complete and submit a proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not provide instructions, or if your instructions are unclear, the persons named as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, by using their own discretion.

Where can I find the results of the voting?

We intend to announce preliminary voting results at the Annual Meeting and will publish final results on a Current Report on Form 8-K to be filed with the U.S. Securities and Exchange Commission ("SEC") within four (4) business days after the Annual Meeting. The Current Report on Form 8-K will also be available on the internet at our website, www.xpo.com.

Why did I receive a Notice regarding the internet availability of proxy materials instead of a full set of printed proxy materials?

We are making our proxy materials available to our stockholders on the internet by mailing the Notice to our stockholders instead of mailing a full set of proxy materials. The Notice contains instructions on how you may access an electronic copy of our proxy materials. The Notice also contains instructions on how you may request a paper copy of the proxy materials, including a form of proxy. We believe this process allows us to provide you with the information you need in a timely manner, while conserving natural resources and lowering the costs of printing and distributing our proxy materials.

Who will pay for the cost of soliciting proxies?

The company will pay for the cost of soliciting proxies. We have engaged Innisfree M&A Incorporated to assist us in soliciting proxies in connection with the Annual Meeting and have agreed to pay them approximately \$15,000 plus their expenses for providing such services. Our directors, officers and other employees, without additional compensation, may solicit proxies personally, in writing, by telephone, by e-mail or otherwise. As is customary, we will reimburse brokerage firms, fiduciaries, voting trustees and other nominees for forwarding our proxy materials to each beneficial owner of shares of our common stock or Series A Preferred Stock held of record by them.

What is "householding" and how does it affect me?

In accordance with notices to many stockholders who hold their shares through a bank, broker or other holder of record (a "street-name stockholder") and share a single address, only one copy of our proxy materials is being delivered to that address unless contrary instructions from any stockholder at that address are received. This practice, known as "householding," is intended to reduce our printing and postage costs. However, any such street-name stockholders residing at the same address who wish to receive a separate copy of our proxy materials may request a copy by contacting their bank, broker or other holder of record, or by sending a written request to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831, or by contacting Investor Relations by telephone at 1-855-976-6951. The voting instruction form sent to a street-name stockholder should provide information on how to request: (1) householding of future company materials, or (2) separate materials if only one set of documents is being sent to a household.

Can I obtain an electronic copy of the Company's proxy materials?

Yes, this Proxy Statement and our 2019 Annual Report are available on the internet at www.edocumentview.com/XPO.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

AN OVERVIEW OF OUR MISSION AND HOW OUR BOARD COMPOSITION IS ALIGNED WITH OUR STRATEGY

Our mission is to be the leading provider of cutting-edge supply chain solutions to the most successful companies in the world, and to do this by using our highly integrated network of people, technology and physical assets to help our customers manage their goods most efficiently throughout their supply chains. We run our business on a global basis, with over 50,000 customers served by approximately 100,000 employees and 1,504 locations in 30 countries, including the United States, France, the United Kingdom and Spain. Our transportation segment offers customers an unmatched network of multiple modes, flexible capacity and route density that transports freight quickly and cost effectively from origin to destination. Through our logistics segment, we provide a range of differentiated and data-intensive services, including highly engineered and customized solutions, value-added warehousing and distribution, omnichannel fulfillment, cold chain distribution, reverse logistics, surge management and other inventory management solutions.

Our blueprint for transforming transportation and logistics is rooted in innovation and revolves around our people. We care deeply about keeping our employees and customers happy, and we view safety, sustainability, strong governance and a purpose-driven culture as essential components of value creation. In addition, our company is a leading proponent of technology, with a global team of technologists and data scientists who concentrate their efforts in four areas of innovation: (1) automation and intelligent machines, (2) visibility and customer service, (3) the digital freight marketplace and (4) dynamic data science. Our success depends on our people.

Our Board of Directors consists of a highly skilled group of leaders who share our values and reflect our culture. Many of our directors have served as executive officers or served on boards of major companies and have an extensive understanding of the principles of corporate governance. In addition, our directors have a strong owner orientation—approximately 18.9% of the voting power of our capital stock on a fully-diluted basis is held by our directors or by entities or persons related to our directors (as of the Record Date). As described on page 19, our Board as a whole has broad expertise with the following skill sets that are relevant to our company, business, industry and strategy:

- Business operations;
- Corporate governance;
- Customer service;
- Environmental sustainability and corporate responsibility;
- Effective capital allocation;
- Critical analysis of corporate financial statements and capital structures;
- Human resource management;
- Multinational corporate management;
- Sales and marketing;
- Mergers and acquisitions, integration and optimization;
- The transportation and logistics industry;
- Risk management;
- Talent management and engagement; and
- Technology and information systems.

DIRECTORS

Our Board of Directors currently consists of nine (9) members as set forth in the table below. The current term of each of our directors will expire at the Annual Meeting. Our Board has nominated eight of the current directors to stand for election at the Annual Meeting, as set forth in Proposal 1 on page 65 of this Proxy Statement.

Name	Occupation
Bradley S. Jacobs	Chairman and Chief Executive Officer, XPO Logistics, Inc.
Gena L. Ashe	General Counsel and Corporate Secretary, Anterix Inc.
Marlene M. Colucci	Executive Director, The Business Council
AnnaMaria DeSalva	Vice Chairman, XPO Logistics, Inc.; Global Chairman and Chief Executive Officer, Hill+Knowlton Strategies
Michael G. Jesselson	Lead Independent Director, XPO Logistics, Inc.; President and Chief Executive Officer, Jesselson Capital Corporation
Aris Kekedjian	Advisor to global companies on finance and M&A strategies
Adrian P. Kingshott	Chief Executive Officer, AdSon, LLC; Managing Director, Spotlight Advisors, LLC
Jason D. Papastavrou	Founder and Chief Investment Officer, ARIS Capital Management, LLC
Oren G. Shaffer	Former Vice Chairman and Chief Financial Officer, Qwest Communications International, Inc.

Under the terms of an Investment Agreement, dated June 13, 2011 (the "Investment Agreement"), by and among Jacobs Private Equity, LLC ("JPE"), the other investors party thereto (collectively with JPE, the "Investors"), and our company, JPE has the right to designate certain percentages of the nominees for our Board of Directors so long as JPE owns securities (including preferred stock convertible into, or warrants exercisable for, securities) representing specified percentages of the total voting power of our capital stock on a fully-diluted basis. JPE does not currently own securities representing the required voting power to qualify for the right to designate nominees for our Board of Directors. The foregoing rights of JPE under the Investment Agreement are in addition to, and not in limitation of, JPE's voting rights as a holder of capital stock of our company. JPE is controlled by Bradley S. Jacobs, our chairman and chief executive officer. The Investment Agreement and the terms contemplated therein were approved by our stockholders at a special meeting on September 1, 2011.

None of the foregoing will prevent our Board of Directors from acting in accordance with its fiduciary duties or applicable law or stock exchange requirements or from acting in good faith in accordance with our governing documents, while giving due consideration to the intent of the Investment Agreement.

Set forth below is information regarding each of our director nominees, including the experience, qualifications, attributes or skills that led our Board of Directors to conclude that such person should serve as a director.

Bradley S. Jacobs

Chairman and Director since 2011

Age: 63

Mr. Jacobs has served as our chief executive officer and chairman of our Board of Directors since September 2, 2011. Mr. Jacobs is also the managing member of JPE, which is our largest stockholder (on a fully-diluted basis). Prior to XPO, he led two public companies: United Rentals, Inc. (NYSE: URI), which he founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for that company's first six years, and as its executive chairman for an additional four years. He served eight years as chairman and chief executive officer of United Waste Systems.

Board Committees: None

Other Public Company Boards: None

Mr. Jacobs brings to the Board:

- In-depth knowledge of the company's business resulting from his years of service with the company as its chief executive officer;
- Leadership experience as the company's chairman and chief executive officer, and a successful track record of leading companies that execute strategies similar to ours; and
- Extensive past experience as the chairman of the board of directors of several public companies.

Gena L. Ashe

Director since 2016

Age: 58

Ms. Ashe has served as a director of the company since March 21, 2016. Ms. Ashe has served as the general counsel and corporate secretary of Anterix Inc. since July 2019. Previously, Ms. Ashe was the president and chief executive officer of GLA Legal Advisory Group, LLC since February 2018. She was senior vice president, chief legal officer and corporate secretary of Adtalem Global Education Inc. (NYSE: ATGE) from May 2017 to February 2018, and executive vice president, chief legal officer, and corporate secretary of BrightView Landscapes, LLC (formerly The Brickman Group, Ltd. LLC) from December 2012 to June 2016. Also, Ms. Ashe has served as vice-chairman of the Supervisory Board of XPO Logistics Europe S.A., our majority-owned subsidiary, since February 2017. Ms. Ashe holds a juris doctorate degree from Georgetown University Law Center, where she serves on the Georgetown Law Advisory Board, a master's degree in electrical engineering from Georgia Institute of Technology and a bachelor's degree in mathematics from Spelman College, where she sits on the Board of Trustees. She has completed the executive development program at the Wharton School of the University of Pennsylvania and holds a certificate in international management from Oxford University in England.

Board Committees:

- Member of Audit Committee
- Member of Acquisition Committee

Other Public Company Boards: None***Ms. Ashe brings to the Board:***

- More than two decades of valuable legal experience with public and private companies, which enables her to provide guidance to the Board and company management on legal matters, compliance and risk assessment and corporate governance best practices; and
- An in-depth understanding of the dynamics of three of our most important customer verticals: e-commerce, technology and food and beverage.

Marlene M. Colucci

Director since 2019

Age: 57

Ms. Colucci has served as a director of the company since February 7, 2019. She has served as the executive director of The Business Council in Washington, D.C. since July 2013. Previously, she was executive vice president of public policy for the American Hotel & Lodging Association from September 2005 to June 2013, where she provided guidance on regulatory matters. From September 2003 to June 2005, she served in the White House as special assistant to President George W. Bush in the Office of Domestic Policy. In this role, she developed labor, transportation and postal reform policies and advised the president and his staff on related matters. Earlier, Ms. Colucci served as deputy assistant secretary with the U.S. Department of Labor's Office of Congressional and Intergovernmental Affairs. Her law career includes more than 12 years with the firm of Akin Gump Strauss Hauer & Feld LLP, where she served as senior counsel. She holds a juris doctorate degree from the Georgetown University Law Center.

Board Committees:

- Member of Compensation Committee
- Member of Acquisition Committee

Other Public Company Boards: None***Ms. Colucci brings to the Board:***

- Significant experience with public policy development, including labor and transportation policy, from over two decades of relevant government and private sector experience; and
- Meaningful perspectives on matters of corporate governance and business operations from her tenure leading the premier association of chief executive officers of the world's most important business enterprises.

AnnaMaria DeSalva

Director since 2017

Age: 51

Vice Chairman since 2019

Ms. DeSalva has served as a director of the company since September 19, 2017, and vice chairman of the Board since February 7, 2019. She has served as global chairman and chief executive officer of Hill+Knowlton Strategies since June 2019. Prior to that, Ms. DeSalva served as chief communications officer of E.I. du Pont de Nemours & Co. (DuPont) from March 2014 to January 2018, then as senior advisor to the CEO of DowDuPont. Previously, she served as vice president of corporate affairs for biopharmaceutical innovation at Pfizer; was an advisor to the U.S. Food and Drug Administration; and led the global healthcare practice of Hill & Knowlton. For Bristol-Myers Squibb, she led global public affairs for the oncology business and served as the director of the Bristol-Myers Squibb Foundation. Ms. DeSalva serves on the board of governors of Argonne National Laboratory of the U.S. Department of Energy and is a member of its compensation and nominating committees; as well as the boards of directors of the non-profit Project Sunshine and the William & Mary Alumni Association. She is a graduate of The College of William & Mary in Williamsburg, Virginia; and has completed the Harvard School of Public Health's executive education program in risk communication, and the Advanced Health Leadership Program jointly offered by the University of California at Berkeley and Pompeu University in Barcelona, Spain.

Board Committees:

- Chairman of Nominating and Corporate Governance Committee

Other Public Company Boards: None***Ms. DeSalva brings to the Board:***

- Global perspective as the chief executive officer of a multinational organization serving clients across almost every sector of the world economy; and
- Significant experience in corporate affairs, regulatory affairs and corporate social responsibility, having previously served in senior leadership roles at several public companies.

Michael G. Jesselson

Director since 2011

Age: 68

Lead Independent Director since 2016

Mr. Jesselson has served as director of the company since September 2, 2011, and as lead independent director since March 20, 2016. He has been president and chief executive officer of Jesselson Capital Corporation since 1994. Mr. Jesselson served as a director of American Eagle Outfitters, Inc. (NYSE: AEO) from November 1997 to May 2017, most recently as its lead independent director. Prior to that, he worked at Philipp Brothers, a division of Engelhard Industries from 1972 to 1981, then at Salomon Brothers Inc. in the financial trading sector. He is a director of C-III Capital Partners LLC, Clarity Capital and other private companies, as well as numerous philanthropic organizations. Mr. Jesselson also serves as the chairman of Bar Ilan University in Israel. He attended New York University School of Engineering.

Board Committees:

- Member of Audit Committee
- Member of Compensation Committee
- Member of Nominating and Corporate Governance Committee

Other Public Company Boards: None***Mr. Jesselson brings to the Board:***

- Significant experience with public company corporate governance issues through prior service on the board of directors of American Eagle Outfitters, including as its lead independent director; and
- Extensive investment expertise.

Adrian P. Kingshott

Director since 2011

Age: 60

Mr. Kingshott has served as a director of the company since September 2, 2011. He has served as the chief executive officer of AdSon, LLC since October 2005, managing director of Spotlight Advisors, LLC since September 2015 and a member of the board of directors of Centre Lane Investment Corp. since May 2011. Mr. Kingshott was a senior advisor to Headwaters Merchant Bank from 2013 until June 2018. Previously, with Goldman Sachs, he was co-head of the firm's Global Leveraged Finance business and held other positions over a 17-year tenure. More recently, Mr. Kingshott was a managing director and portfolio manager at Amaranth Advisors, LLC. He is an adjunct professor of Global Capital Markets and Investments at Fordham University's Gabelli School of Business. He holds a master's degree in business administration from Harvard Business School and a master of jurisprudence degree from Oxford University.

Board Committees:

- Chairman of Acquisition Committee

Other Public Company Boards: None***Mr. Kingshott brings to the Board:***

- More than 25 years of experience in the investment banking and investment management industries; and
- Expertise with respect to corporate governance, acquisition transactions, debt and equity financing and corporate financial management issues.

Jason D. Papastavrou, Ph.D.

Director since 2011

Age: 57

Dr. Papastavrou has served as a director of the company since September 2, 2011. He founded ARIS Capital Management, LLC in 2004 and serves as its chief investment officer. Previously, Dr. Papastavrou was the founder and managing director of the Fund of Hedge Funds Strategies Group of Banc of America Capital Management (BACAP), president of BACAP Alternative Advisors, and a senior portfolio manager with Deutsche Asset Management. He was a tenured professor at Purdue University School of Industrial Engineering and holds a doctorate in electrical engineering and computer science from the Massachusetts Institute of Technology. Dr. Papastavrou serves on the board of directors of United Rentals, Inc. (NYSE: URI).

Board Committees:

- Chairman of Compensation Committee
- Member of Audit Committee
- Member of Nominating and Corporate Governance Committee

Other Public Company Boards: United Rentals, Inc. (since 2005)***Dr. Papastavrou brings to the Board:***

- Financial expertise related to his qualifications as an "audit committee financial expert" under SEC regulations; and
- Extensive experience with finance and risk-related matters, from holding senior positions at investment management firms.

Age: 77

Mr. Shaffer has served as a director of the company since September 2, 2011. From 2002 to 2007, Mr. Shaffer was vice chairman and chief financial officer of Qwest Communications International, Inc. (now CenturyLink, Inc.). Previously, Mr. Shaffer was president and chief operating officer of Sorrento Networks, Inc., executive vice president and chief financial officer of Ameritech Corporation, and held senior executive positions with The Goodyear Tire & Rubber Company, where he also served on the board of directors. Additionally, Mr. Shaffer served as a director on the board of Terex Corporation from 2007 until May 2019. He holds a master's degree in management from the Sloan School of Management, Massachusetts Institute of Technology, and a degree in finance and business administration from the University of California, Berkeley.

Board Committees:

- Chairman of Audit Committee

Other Public Company Boards: Terex Corporation (since 2007)

Mr. Shaffer brings to the Board:

- Senior financial, operational and strategic experience with various large companies;
- Corporate governance expertise from serving as director of various public companies; and
- Financial expertise related to his qualifications as an “audit committee financial expert” under SEC regulations.

SUMMARY OF QUALIFICATIONS AND EXPERIENCE OF DIRECTOR NOMINEES

	Bradley S. Jacobs	Gena L. Ashe	Marlene M. Colucci	AnnaMaria DeSalva	Michael G. Jesselson	Adrian P. Kingshott	Jason D. Papastavrou, Ph.D.	Oren G. Shaffer
BUSINESS OPERATIONS experience provides a practical understanding of developing, implementing and assessing our operating plan and business strategy.	✓	✓	✓	✓	✓	✓	✓	✓
CORPORATE GOVERNANCE experience bolsters Board and management accountability, transparency and a focus on stockholder interests.	✓	✓	✓	✓	✓	✓	✓	✓
CUSTOMER SERVICE experience brings an important perspective to our Board given the importance of customer service to our business model.	✓	✓		✓	✓			
ENVIRONMENTAL SUSTAINABILITY AND CORPORATE RESPONSIBILITY experience allows our Board's oversight to guide our long-term value creation for stockholders in a way that is responsible and sustainable.	✓	✓	✓	✓	✓			
EFFECTIVE CAPITAL ALLOCATION experience is crucial to our Board's evaluation of our financial statements and capital structure.	✓				✓	✓	✓	✓
CRITICAL ANALYSIS OF CORPORATE FINANCIAL STATEMENTS AND CAPITAL STRUCTURES experience assists our directors in understanding and overseeing our financial reporting and internal controls.	✓	✓		✓	✓	✓	✓	✓
HUMAN RESOURCE MANAGEMENT experience allows our Board to further our company's goals in making XPO an inclusive and attractive employment environment and aligning human resources objectives with our strategic and operational priorities.	✓	✓	✓	✓	✓			
MULTINATIONAL CORPORATE MANAGEMENT experience is important, given the global nature of our business strategy and operations.	✓	✓	✓	✓	✓	✓	✓	✓
SALES AND MARKETING experience helps our Board assist with our business strategy and with developing new products and operations.	✓	✓		✓				
MERGERS AND ACQUISITIONS, INTEGRATION AND OPTIMIZATION experience helps our company identify the optimal targets for M&A activity to achieve our strategic objectives and realize synergies and growth.	✓	✓		✓	✓	✓	✓	✓
TRANSPORTATION AND LOGISTICS INDUSTRY experience is important in understanding and reviewing our business and strategy.	✓						✓	
RISK MANAGEMENT experience is critical to our Board's role in overseeing the risks facing our company.	✓	✓	✓	✓	✓	✓	✓	✓
TALENT MANAGEMENT AND ENGAGEMENT experience helps XPO attract, motivate and retain top candidates for leadership roles.	✓	✓	✓	✓	✓	✓	✓	✓
TECHNOLOGY AND INFORMATION SYSTEMS experience is relevant as we continually seek to enhance our customer experience and internal operations.	✓	✓		✓				

ROLE OF THE BOARD AND BOARD LEADERSHIP STRUCTURE

Our business and affairs are managed under the direction of our Board of Directors, which is our company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's primary responsibility is to seek to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, monitors the performance of our company and management, and provides advice and counsel to management. In fulfilling the Board's responsibilities, our directors have full access to our management, internal and external auditors and outside advisors.

Furthermore, our Board of Directors is committed to independent Board oversight. Our current Board leadership structure includes an executive chairman as well as a lead independent director and an independent vice chairman. The positions of chairman of the Board and chief executive officer are both currently held by Mr. Jacobs. Our Board believes that this combination of roles is appropriate because the structure enables decisive leadership and ensures clear accountability in the context of strong Board practices and a Board culture that facilitates independent oversight. On January 15, 2020, Mr. Jacobs underscored the company's commitment to maximize shareholder value when XPO announced that the Board had authorized a review of strategic alternatives, including the possible sale or spin-off of one or more of XPO's business units. The strategic alternatives review demonstrates the agility with which our executive chairman can focus on creating value for shareholders, while remaining intensely committed to the satisfaction of our customers and employees. However, on March 20, 2020, in light of market conditions resulting from the impact of the COVID-19 pandemic, XPO terminated the strategic review process. Our Board believes the dual roles function well for our company based on our current strategy, governance and ownership structure.

To assist our Board to further strengthen its independent decision-making, our Board of Directors has approved a set of Corporate Governance Guidelines (the "Guidelines"), which provide that the independent directors may appoint a lead independent director who presides over executive sessions of the independent directors, and who shall serve a term of at least one year. On March 20, 2016, the independent directors appointed Mr. Jesselson to serve as lead independent director. The position of lead independent director has been structured to serve as an effective balance to the dual roles served by Mr. Jacobs. The lead independent director presides at all meetings of the Board of Directors at which the chairman is not present and presides at all executive sessions of the independent directors. The Guidelines require that the independent directors meet at least once a year without members of management present, and the lead independent director is empowered to call additional meetings of the independent directors as necessary. In practice, in 2019, our independent directors met in executive sessions much more frequently. The lead independent director also serves as a liaison between the chairman and the independent directors. Together with the chairman, the lead independent director develops and approves Board meeting agendas, meeting schedules and meeting materials to be distributed to our Board of Directors in order to assure sufficient time for informed discussion of issues. The lead independent director is also available to meet with significant stockholders as appropriate and required.

In addition, on February 7, 2019, the Board established an independent vice chairman position as part of its ongoing commitment to strong corporate governance. The position of vice chairman is defined as an independent director with authorities and duties that include, among others: (i) presiding at meetings of the Board where the chairman and lead independent director are not present; (ii) assisting the chairman, when appropriate, in carrying out his or her duties; (iii) assisting the lead independent director, when appropriate, in carrying out his or her duties; and (iv) such other duties, responsibilities and assistance as the Board or the chairman may determine. Ms. DeSalva was appointed to serve as vice chairman on February 7, 2019, to provide support on key governance matters and stockholder engagement to the chairman, lead independent director and the Board.

Further information regarding the positions of lead independent director and vice chairman is set forth in the Guidelines. The Guidelines are available on the company's corporate website at www.xpo.com under the Investors tab.

Our Board of Directors held 17 meetings during 2019. In 2019, each person currently serving as a director attended at least 88% of the meetings of our Board of Directors and any Board committee on which he or she served. In addition, our Board of Directors acted three times during 2019 via unanimous written consent.

Our directors are expected to attend the annual meeting. Any director who is unable to attend the annual meeting is expected to notify the chairman of the Board in advance of the annual meeting. Seven of our then eight directors serving and standing for re-election attended the 2019 annual meeting of stockholders. Marlene M. Colucci, who was appointed to the Board on February 7, 2019, notified the chairman of the Board in advance that she was unable to attend the 2019 annual meeting due to a prior business commitment.

BOARD RISK OVERSIGHT

Our Board of Directors provides overall risk oversight, with a focus on the most significant risks facing our company. In addition, the Board is responsible for ensuring that appropriate crisis management and business continuity plans are in place. The management of risks to our business, and the execution of contingency plans, are primarily the responsibility of our senior management team.

Our Board and senior management team regularly discuss the company's business strategy, operations, policies, controls, prospects, and current and potential risks. These discussions include approaches for assessing, monitoring, mitigating and controlling risk exposure. The Board has delegated responsibility for the oversight of specific risks special committees as follows:

- **Audit Committee.** The Audit Committee oversees the policies that govern the process by which our exposure to risk is assessed and managed by management. In that role, the Audit Committee discusses with our management major financial risk exposures and the steps that management has taken to monitor and control these exposures. The Audit Committee also is responsible for reviewing risks arising from related party transactions involving our company and for overseeing our company-wide Code of Business Ethics and overall compliance with legal and regulatory requirements.
- **Compensation Committee.** The Compensation Committee monitors the risks associated with our compensation philosophy and programs to ensure that the company has a compensation structure that strikes an appropriate balance in motivating our senior executives to deliver long-term results for the company's stockholders, while simultaneously holding our senior leadership team accountable.
- **Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee oversees risks related to our governance structure and processes.
- **Acquisition Committee.** The Acquisition Committee oversees risks related to the execution of our acquisition strategy.

To navigate the evolving COVID-19 pandemic, we have assembled a cross-disciplinary crisis management team that includes all of our executive officers. This team oversees the management of COVID-19 risks to the health and safety of our employees, which is paramount, and to our business operations and financial condition. Board members receive frequent updates from the crisis management team at formal Board meetings and through informal direct participation in crisis management team meetings. Among other topics, these updates cover such matters as the measures we are taking to address the risk of transmission of COVID-19 among our employees and the wider communities in which we operate as well as communications with our employees, customers and other stakeholders to share information on our response to the pandemic.

In addition, the Board periodically holds special sessions to evaluate topical trends identified as significant risks or items of strategic interest, such as human resources management, information technology and cyber security. The Board is committed to ensuring that our company has the resources and infrastructure necessary to appropriately address all significant risks.

COMMITTEES OF THE BOARD AND COMMITTEE MEMBERSHIP

Our Board of Directors has established four separately designated standing committees to assist the Board in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Acquisition Committee. Our Board of Directors may eliminate or create additional committees as it deems appropriate. Each of our Board committees have written charters that comply with applicable SEC rules and the NYSE Listed Company Manual. These charters are available at www.xpo.com. You may obtain a printed copy of any of these charters, without charge, by sending a request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are composed entirely of independent directors within all applicable standards (as further discussed below). Our Board of Directors' general policy is to review and approve committee assignments annually. The Nominating and Corporate Governance Committee is responsible, after consultation with our chairman of the Board and consideration of appropriate member qualifications, to recommend to our Board of Directors all committee assignments, including designations of the chairmen. Each committee is authorized to retain, in each committee's sole authority, its own outside counsel and other advisors at the company's expense as it desires. Also, each committee may form and delegate authority to subcommittees when appropriate.

The following table sets forth the membership of each of our Board committees as of the Record Date. Mr. Jacobs and Mr. Aris Kekedjian do not serve on any Board committees.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Acquisition Committee
Gena L. Ashe	✓			✓
Marlene M. Colucci		✓		✓
AnnaMaria DeSalva			C	
Michael G. Jesselson	✓	✓	✓	
Adrian P. Kingshott		C		✓
Jason D. Papastavrou*	✓	✓	✓	C
Oren G. Shaffer*	C			

C = Committee chairman

✓ = Committee member

* = Audit Committee Financial Expert

A brief summary of the committees' responsibilities follows:

Audit Committee. Our Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to assist our Board of Directors in fulfilling its responsibilities in a number of areas, including, without limitation, oversight of: (i) our accounting and financial reporting processes, including our systems of internal controls and disclosure controls, (ii) the integrity of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our independent registered public accounting firm, (v) the performance of our independent registered public accounting firm and internal audit function and (vi) related party transactions. Each member of the Audit Committee satisfies all applicable independence standards, has not participated in the preparation of our financial statements at any time during the past three years, and is able to read and understand fundamental financial statements. From January 1, 2019 to March 13, 2019, the Audit Committee was comprised of the following three directors: Mr. Shaffer (chairman), Mr. Kingshott and Dr. Papastavrou. On March 13, 2019, Mr. Kingshott stepped down as a member of the Audit Committee and Ms. Ashe and Mr. Jesselson were appointed as members of the Audit Committee. The Audit Committee met eight times during 2019. Our Board of Directors has determined that Mr. Shaffer and Dr. Papastavrou each qualify as an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act.

Compensation Committee. The primary responsibilities of the Compensation Committee are, among other things: (i) to oversee the administration of our compensation programs, (ii) to review and approve the compensation of our executive management, (iii) to review company contributions to qualified and non-qualified plans, (iv) to prepare any report on executive compensation required by SEC rules and regulations, and (v) retain independent compensation consultants and oversee the work of such consultants. The Compensation Committee met eight times during 2019 and, in addition, acted once via unanimous written consent to deliberate on a range of matters relating to compensation, including:

- Certification of goal attainment for performance-based stock unit awards (PSUs)
- Director and executive compensation benchmarking, compared to market levels of pay
- Trends in executive pay practices and relevant developments within the regulatory landscape
- Executive compensation decision frameworks and strategies for cash and long-term incentive compensation
- Thresholds, targets and/or maximum values related to cash compensation
- Risk assessment of incentive compensation plans
- Employee engagement survey outcomes and action plans
- NEO performance evaluations with respect to financial and non-financial goals and expectations
- Approval of compensation decisions for directors and executive officers, including changes in cash incentives and equity awards for relevant executives
- Evaluation of share utilization (i.e., burn rate and dilution) in our employee equity plan
- Compliance with executive stock ownership guidelines
- Material changes in benefit plans across the company
- Cash bonus accruals for employees in XPO's annual incentive plan, based on financial performance of each business
- Participation in XPO's employee stock purchase program
- Review and certification of compensation advisor independence
- Inclusion of the compensation, discussion and analysis disclosure in the company's annual proxy statement

From January 1, 2019 to March 13, 2019, the Compensation Committee was comprised of the following three directors: Mr. Kingshott (chairman), Mr. Jesselson and Dr. Papastavrou. On March 13, 2019, Ms. Colucci was appointed as a member of the Compensation Committee. On April 17, 2020, Mr. Kingshott stepped down from the Compensation Committee and Dr. Papastavrou was appointed the chairman of the committee.

Nominating and Corporate Governance Committee. The primary responsibilities of the Nominating and Corporate Governance Committee are, among other things: (i) to identify individuals qualified to become Board members and recommend that our Board of Directors select such individuals to be presented for stockholder consideration at the annual meeting or to be appointed by the Board of Directors to fill a vacancy, (ii) to make recommendations to our Board of Directors concerning committee appointments, (iii) to develop, recommend to our Board of Directors and annually review the Guidelines and oversee corporate governance matters, and (iv) to oversee an annual evaluation of our Board of Directors and committees. During 2019, the Nominating and Corporate Governance Committee was comprised of the following three directors: Ms. DeSalva (chairman), Mr. Jesselson and Dr. Papastavrou. The Nominating and Corporate Governance Committee met three times during 2019.

Acquisition Committee. The Acquisition Committee is responsible for reviewing and approving acquisition, divestiture and related transactions proposed by our management in which the total consideration to be paid or received by us, for any particular transaction, does not exceed the limits that may be established by our Board of Directors from time to time. From January 1, 2019 to March 13, 2019, the Acquisition Committee was comprised of the following three directors: Dr. Papastavrou (chairman), Ms. Ashe and Mr. Kingshott. On March 13, 2019, Ms. Colucci was appointed as a member of the Acquisition Committee. On April 17, 2020, Dr. Papastavrou stepped down from the Acquisition Committee and Mr. Kingshott was appointed the chairman of the committee. The Acquisition Committee did not meet during 2019.

DIRECTOR COMPENSATION

The following table sets forth information concerning the compensation of each person who served as a non-employee director of our company during 2019.

2019 Director Compensation Table⁽¹⁾

Name	Fees Earned or Paid in Cash ⁽²⁾ (\$)	Stock Awards ⁽³⁾ (\$)	Option Awards (\$)	Total (\$)
Gena L. Ashe ⁽⁴⁾	\$ 75,000	\$187,305	—	\$262,305
Marlene Colucci ⁽⁵⁾	\$ 67,292	\$157,350	—	\$224,642
AnnaMaria DeSalva ⁽⁶⁾	\$112,431	\$187,305	—	\$299,736
Michael G. Jesselson ⁽⁷⁾	\$100,000	\$187,305	—	\$287,305
Aris Kekedjian ⁽⁸⁾	\$ 17,292	\$ 40,493	—	\$ 57,785
Adrian P. Kingshott ⁽⁹⁾	\$ 90,000	\$187,305	—	\$277,305
Jason D. Papastavrou ⁽¹⁰⁾	\$ 90,000	\$187,305	—	\$277,305
Oren G. Shaffer ⁽¹¹⁾	\$100,000	\$187,305	—	\$287,305

⁽¹⁾ Compensation information for Mr. Jacobs, who is a NEO of our company, is disclosed in this Proxy Statement under the heading “Executive Compensation—Compensation Tables.” Mr. Jacobs did not receive additional compensation for his service as a director.

⁽²⁾ The amounts reflected in this column represent the fees earned by the directors for their service during 2019. Because the fees are paid in arrears and fourth quarter payments are received during the following calendar year, fees earned more accurately represent the compensation received by our directors.

⁽³⁾ The amounts reflected in this column represent the grant date fair value of the awards made in 2019, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification 718 “Compensation—Stock Compensation” (“ASC 718”). For further discussion of the assumptions used in the calculation of the grant date fair value, please see “Notes to Consolidated Financial Statements—Note 15. Stock-Based Compensation” of our company’s Annual Report on Form 10-K for the year ended December 31, 2019. The values reported in this column represent 3,249 restricted stock units (“RSUs”) granted to each of the directors serving on January 2, 2019. Ms. Colucci, who became a director on February 7, 2019, received a prorated award of 2,637 RSUs on such date, and Mr. Kekedjian, who became a director on October 10, 2019, received a prorated award of 570 RSUs on such date. All of these awards vested on January 2, 2020. Each director serving on January 2, 2020 received an award of 2,392 RSUs on such date for service as a director in 2020; these awards shall vest on January 4, 2021 and are not reflected in the table above.

⁽⁴⁾ As of December 31, 2019, Ms. Ashe held 12,006 RSUs. Does not include €59,000 of fees paid to Ms. Ashe for her service as vice-chairman of the Supervisory Board of XPO Logistics S.A., our majority-owned subsidiary.

⁽⁵⁾ Ms. Colucci became a director on February 7, 2019 and received a prorated cash payment of \$11,042 for her service during the first quarter of 2019. As of December 31, 2019, Ms. Colucci held 2,637 RSUs. As of the Record Date, Ms. Colucci beneficially owns a total of 2,637 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽⁶⁾ Ms. DeSalva was appointed vice chairman of the board on February 7, 2019 and received a prorated cash payment of \$3,681 for such service during the first quarter of 2019. As of December 31, 2019, Ms. DeSalva held 3,249 RSUs. As of the Record Date, Ms. DeSalva beneficially owns a total of 2,881 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽⁷⁾ As of December 31, 2019, Mr. Jesselson held 24,000 stock options and 9,290 RSUs. As of the Record Date, Mr. Jesselson beneficially owns a total of 351,013 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽⁸⁾ Mr. Kekedjian became a director on October 10, 2019 and received a prorated cash payment of \$17,292 for his service during the fourth quarter of 2019. As of December 31, 2019, Mr. Kekedjian held 570 RSUs. As of the Record Date, Mr. Kekedjian beneficially owns a total of 570 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽⁹⁾ As of December 31, 2019, Mr. Kingshott held 24,000 stock options and 20,048 RSUs. As of the Record Date, Mr. Kingshott beneficially owns a total of 137,262 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽¹⁰⁾ As of December 31, 2019, Dr. Papastavrou held 24,000 stock options and 22,548 RSUs. As of the Record Date, Dr. Papastavrou beneficially owns a total of 246,137 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

⁽¹¹⁾ As of December 31, 2019, Mr. Shaffer held 24,000 stock options and 25,048 RSUs. As of the Record Date, Mr. Shaffer beneficially owns a total of 70,048 shares of our common stock as disclosed in this proxy statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

The compensation of our directors is subject to the approval of our Board of Directors, which is based, in part, on the review and recommendation of the Compensation Committee. Directors who are employees of our company do not receive additional compensation for service as members of either our Board of Directors or its committees.

For service during calendar years 2017, 2018 and 2019, our non-employee directors received an annual cash retainer of \$75,000, payable quarterly in arrears, and time-based RSUs ("Time-Based RSUs") worth \$175,000. The annual grant of such Time-Based RSUs was made on the first business day of each year (the "RSU Grant Date") and the number of such units was determined by dividing \$175,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the RSU Grant Date. The grant vested on the first anniversary of the RSU Grant Date. The lead independent director also received an additional \$25,000 annual cash retainer, payable quarterly in arrears. Under the non-employee director annual compensation program, the chairmen of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee each received an additional cash retainer of \$25,000, \$15,000, \$15,000 and \$15,000, respectively, payable quarterly in arrears. On February 7, 2019, the company's Board of Directors established the position of vice chairman of the Board, who received a prorated portion of an additional \$25,000 annual cash retainer, payable quarterly in arrears.

On December 11, 2019, the Board of Directors, acting upon the recommendation of the Compensation Committee and in consultation with its independent compensation consultant, Semler Brossy Consulting Group, LLC ("Semler Brossy"), approved and adopted a revised non-employee director annual compensation program for the calendar year 2020 and subsequent years. Effective January 1, 2020, our non-employee directors receive an annual cash retainer of \$80,000, payable quarterly in arrears, and time-based RSUs ("Time-Based RSUs") worth \$190,000. The annual grant of such Time-Based RSUs is made on the first business day of each year (the "RSU Grant Date") and the number of such units is determined by dividing \$190,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the RSU Grant Date. The grant vests on the first business day of the following calendar year. The vice chairman of the Board receives an additional \$25,000 annual cash retainer, payable quarterly in arrears. The lead independent director also receives an additional \$25,000 annual cash retainer, payable quarterly in arrears. The chairmen of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee each receive an additional cash retainer of \$25,000, \$20,000, \$20,000 and \$15,000, respectively, payable quarterly in arrears.

No other fees are paid to our directors for their attendance at or participation in meetings of our Board or its committees. We also reimburse our directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

In 2016, our Board adopted a stock ownership policy establishing guidelines and stock retention requirements that apply to our non-employee directors and executive officers. Non-employee directors are subject to a stock ownership guideline of six (6) times the annual cash retainer. To determine compliance with these guidelines, generally, common shares held directly or indirectly, and unvested restricted stock units subject solely to time-based vesting, count towards meeting the stock ownership guidelines. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions, are not counted towards meeting the stock ownership guidelines until they have settled or been exercised, as applicable. Until the guidelines are met, 70% of shares received upon settlement of equity-based awards are required to be retained by the director. Under the policy, a newly-appointed director is required to reach the required ownership level no later than three years from the date of his or her appointment. As of the Record Date, five of our non-employee directors were in compliance with our stock ownership policy. Ms. DeSalva, who joined the board in 2018, and Ms. Colucci, who joined the board in 2019, are expected to reach the ownership level by the third anniversary of their respective appointment dates.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

From January 1, 2019 to March 13, 2019, the Compensation Committee was comprised of the following three directors: Mr. Kingshott (chairman), Mr. Jesselson and Dr. Papastavrou. On March 13, 2019, Ms. Colucci was appointed as a member of the Compensation Committee. On April 17, 2020, Mr. Kingshott stepped down and Dr. Papastavrou replaced him as chairman of the Compensation Committee. None of the members of our Compensation Committee has been an officer or employee of our company. During 2019, there were no material transactions between the company and the members of the Compensation Committee, and none of our executive officers served as a member of the compensation committee, or the board of directors, of any entity that has one or more executive officers serving on our Compensation Committee or on our Board of Directors.

CORPORATE GOVERNANCE GUIDELINES AND CODE OF BUSINESS ETHICS

Our Board of Directors is committed to sound corporate governance principles and practices. Our Board adopted the Guidelines on January 16, 2012, and most recently adopted amendments to the Guidelines on February 7, 2019, to establish the position of vice chairman. The vice chairman of the Board provides support on key governance matters and stockholder engagement to the chairman, lead independent director and the Board.

The Guidelines serve as a framework within which our Board of Directors conducts its operations. Among other things, the Guidelines include criteria for determining the qualifications and independence of the members of our Board, requirements for the standing committees of our Board, responsibilities for members of our Board, and an annual evaluation of the

effectiveness of our Board and its committees. The Nominating and Corporate Governance Committee is responsible for reviewing the Guidelines annually, or more frequently as appropriate, and recommending to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities, and our company's evolving needs.

We have a Code of Business Ethics that applies to our directors and executive officers. This code is designed to deter wrongdoing, to promote the honest and ethical conduct of all employees and to promote compliance with applicable governmental laws, rules and regulations, as well as to provide clear channels for reporting concerns. The Code of Business Ethics constitutes a "code of ethics" as defined in Item 406(b) of Regulation S-K. We intend to satisfy the disclosure requirements under applicable SEC rules relating to amendments to the Code of Business Ethics or waivers from any provision thereof applicable to our principal executive officer, our principal financial officer and principal accounting officer by posting such information on our website pursuant to SEC rules.

The Guidelines and our Code of Business Ethics are available on our website at www.xpo.com. In addition, you may obtain a printed copy of these documents, without charge, by sending a request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

DIRECTOR INDEPENDENCE

Under the Guidelines, our Board of Directors is responsible for making independence determinations annually with the assistance of the Nominating and Corporate Governance Committee. Such independence determinations are made by reference to the independence standard under the Guidelines and the definition of "independent director" under Section 303A.02 of the NYSE Listed Company Manual. Our Board of Directors has affirmatively determined that each person who served as a director during any part of 2019, except Mr. Jacobs, our chairman of the Board and chief executive officer, satisfies the independence standards under the Guidelines and the NYSE Listed Company Manual.

In addition to the independence standards provided in the Guidelines, our Board of Directors has determined that each director who serves on our Audit Committee satisfies standards established by the SEC providing that, in order to qualify as "independent" for the purposes of membership on that committee, members of audit committees may not: (1) accept directly or indirectly any consulting, advisory or other compensatory fee from our company other than their director compensation, or (2) be an affiliated person of our company or any of its subsidiaries. Our Board of Directors has also determined that each member of the Compensation Committee satisfies the NYSE standards for independence of Compensation Committee members, which became effective on July 1, 2013. Additionally, our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee satisfies the NYSE standards for independence. In making the independence determinations for each director, our Board of Directors and the Nominating and Corporate Governance Committee analyzed certain relationships of the directors that were not required to be disclosed pursuant to Item 404(a) of Regulation S-K. For Ms. Colucci, those relationships included ordinary course commercial transactions between our company and the entity for which Ms. Colucci serves as an executive. For Dr. Papastavrou, those relationships included ordinary course commercial transactions between our company and an entity for which Dr. Papastavrou is a director.

DIRECTOR SELECTION PROCESS

The Nominating and Corporate Governance Committee is responsible for recommending to our Board of Directors all nominees for election to the Board, including nominees for re-election to the Board, in each case, after consultation with the chairman of the Board and in accordance with our company's contractual obligations. Pursuant to the Investment Agreement, JPE has had and may in the future have the contractual right based on its securities ownership, as described above under "Directors," to designate for nomination by our Board of Directors a certain percentage of the members of our Board of Directors. Subject to the foregoing, in considering new nominees for election to our Board, the Nominating and Corporate Governance Committee considers, among other things, breadth of experience, financial expertise, wisdom, integrity, an ability to make independent analytical inquiries, an understanding of our company's business environment, knowledge and experience in such areas as technology and marketing, and other disciplines relevant to our company's businesses, the nominee's ownership interest in our company, and a willingness and ability to devote adequate time to Board duties, all in the context of the needs of the Board at that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of Board members. When searching for new directors, our Board endeavors to actively seek out highly qualified women and individuals from underrepresented minorities to include in the pool from which Board nominees are chosen. Our Board aims to create a team of directors with diverse experiences and perspectives to provide our complex, global company with thoughtful and engaged board oversight. The Nominating and Corporate Governance Committee assesses the effectiveness of its diversity efforts through periodic evaluations of the Board's composition.

Subject to the contractual rights granted to JPE pursuant to the Investment Agreement, the Nominating and Corporate Governance Committee may identify potential nominees for election to our Board of Directors from a variety of sources, including recommendations from current directors or management, recommendations from our stockholders or any other source the committee deems appropriate, including engaging a third party consulting firm to assist in identifying independent director nominees.

Our Board of Directors will consider nominees submitted by our stockholders, subject to the same factors that are brought to bear when it considers nominees referred by other sources. Our stockholders can nominate candidates for election as directors by following the procedures set forth in our bylaws, which are summarized below. We did not receive any director nominees from our stockholders for the 2020 Annual Meeting.

Our bylaws require that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice must be delivered to or mailed and received by the secretary of our company not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. As more specifically provided in our bylaws, any nomination must include: (i) the nominator's name and address and the number of shares of each class of our capital stock that the nominator owns, (ii) the name and address of any person with whom the nominator is acting in concert and the number of shares of each class of our capital stock that any such person owns, (iii) the information with respect to each such proposed director nominee that would be required to be provided in a proxy statement prepared in accordance with applicable SEC rules, and (iv) the consent of the proposed candidate to serve as a member of our Board.

Any stockholder who wishes to nominate a potential director candidate must follow the specific requirements set forth in our bylaws, a copy of which may be obtained by sending a request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

HUMAN RESOURCE MANAGEMENT

Our culture at XPO is about being safe, respectful, entrepreneurial, innovative and inclusive. In response to the evolving COVID-19 pandemic situation, XPO management, in coordination with and under the oversight of our Board of Directors, has moved quickly to deploy comprehensive operating protocols that prioritize employee safety while meeting the company's responsibilities as a designated provider of essential infrastructure services. Among the numerous protocols put in place:

- XPO employees worldwide are working remotely if able to do so. For employees who need to work on site, the company follows the guidance of the World Health Organization (WHO), the US Centers for Disease Control (CDC) and its own health and safety protocols.
- XPO has added Pandemic Paid Sick Leave to its US and Canadian benefits packages, giving affected full-time employees up to two work weeks (80 hours) of additional sick leave in addition to standard annual paid time off.
- XPO continues to cover the cost of COVID-19 testing and provide access to free tele-medicine through a virtual clinic with a 24/7 nurse hotline for medical concerns, for all medical plan participants. These free services complement the company's other US healthcare benefits.
- Employees globally are guaranteed up to three days of 100% pay continuation if a facility is closed temporarily for deep cleaning. These paid days are in addition to XPO's Pandemic Paid Sick Leave and standard paid time off. Third-party specialists in COVID-19 deep cleaning ensure that each site is disinfected.
- The company automatically grants workplace accommodations for pregnant employees under the terms of its progressive Pregnancy Care Policy and continues to make alternate work arrangements for employees when medically advisable.
- XPO has made free counseling sessions available to all US employees and their dependents during the crisis through its Employee Assistance Program (EAP). EAP formerly required that an employee be enrolled in an XPO healthcare plan to receive this mental health service.
- XPO has introduced online programs in seven languages to help employees manage change during the pandemic. These include video sessions on health and safety, stress management and working remotely, as well as information on special policies in effect.
- Social distancing guidelines are in effect in all XPO workplaces. Where possible, sites have erected barriers between workstations and use demarcations on floors to limit contact between employees. Visitors are restricted from accessing XPO offices and field locations.
- Employees must affirm their health status before beginning a shift, stay home if they are ill and be tested if they believe they have been exposed to COVID-19.
- Site management, senior team members and human resources staff participate in meetings prior to the start of each shift to emphasize social distancing and the importance of leaving work immediately if feeling sick. These policies are reinforced by signs posted throughout the facilities.
- XPO's drivers and transportation contractors perform no-contact deliveries whenever possible, using digital image verification as proof of delivery and managing capacity on the company's digital freight platform.
- XPO has arranged for additional cleaning measures inside its workplaces and provides personal protective equipment (PPE) and sanitization supplies to employees, with procurement measures in place to monitor inventory levels.

- XPO has created a dedicated COVID-19 portal where employees can access safety information, company policies, preventative measures and benefits information online.

XPO management and the Board of Directors are committed to maintaining XPO's superior work environment. Our efforts in human resource management focus on enhancing the robust training of our workforce, improving management capabilities and harmonizing best practices across our global operations. Our management team and Board of Directors work together in a transparent manner, allowing for open communication, including with respect to human resource-related matters. Our directors have access to all information about our human resource management operations and plans, and our chief human resources officer is invited to attend and speak at the meetings of our Board of Directors when appropriate. Our directors also have opportunities to attend and participate in executive leadership meetings with our mid-level and senior-level operating executives. We aim to integrate our human resources functions with our operational objectives.

BOARD OVERSIGHT OF SUSTAINABILITY MATTERS

Our approach to sustainability—and all areas of our business—is one of purpose-driven progress rooted in innovation. We work to promote environmental, social and organizational sustainability through the decisions we make and our interactions with colleagues, customers, suppliers and other stakeholders.

We believe that sustainability is essential to our company's long-term viability. It is good business and the right thing to do. It fosters equitable workplaces for our employees, both now and in the future. It is also important to many of our stakeholders who want to do business with partners who participate in the transition to a low-carbon economy.

We are pleased to have published our 2019 Sustainability Report detailing our objectives and progress in the areas of environmental sustainability, social initiatives and governance performance. Our 2019 Sustainability Report is available at www.xpo.com.

Sustainability features prominently in the deliberations among our directors and informs their overall approach to risk oversight at the Company. In addition, members of the Board have reviewed the contents of our 2019 Sustainability Report and have provided feedback to the Company.

STOCKHOLDER COMMUNICATION WITH THE BOARD

Stockholders and parties interested in communicating with our Board of Directors, any Board committee, any individual director, including our lead independent director, or any group of directors (such as our independent directors) should send written correspondence to: Board of Directors c/o Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831. Please note that we will not forward communications to the Board that qualify as spam, junk mail, mass mailings, resumes or other forms of job inquiries, surveys, business solicitations or advertisements.

STOCKHOLDER PROPOSALS FOR NEXT YEAR'S ANNUAL MEETING

Stockholder proposals intended to be presented at our 2021 annual meeting of stockholders must be received by our Secretary no later than December 21, 2020, to be considered for inclusion in our proxy materials, pursuant to Rule 14a-8 under the Exchange Act.

As more specifically provided for in our bylaws, no business may be brought before an annual meeting of our stockholders unless it is specified in the notice of the annual meeting or is otherwise brought before the annual meeting by or at the direction of our Board of Directors or by a stockholder entitled to vote and who has delivered proper notice to us not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. Accordingly, assuming that our 2021 annual meeting of stockholders is held on or after May 14, 2021, for example, any stockholder proposal to be considered at the 2021 annual meeting, including nominations of persons for election to our Board of Directors, must be properly submitted to us not earlier than November 15, 2020, nor later than February 13, 2021.

Detailed information for submitting stockholder proposals or nominations of director candidates will be provided upon written request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Under its written charter, the Audit Committee of our Board of Directors is responsible for reviewing and approving or ratifying any transaction between our company and a related person (as defined in Item 404 of Regulation S-K) that is required to be disclosed under the rules and regulations of the SEC. Our management is responsible for bringing any such transaction to the attention of the Audit Committee. In approving or rejecting any such transaction, the Audit Committee considers the relevant facts and circumstances, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence.

Since January 1, 2019, we have not been a participant in any transaction or series of similar transactions in which the amount exceeded or will exceed \$120,000 and in which any current director, executive officer, holder of more than 5% of our capital stock, or any member of the immediate family of the foregoing, had or will have a material interest, except for the transactions previously disclosed in this Proxy Statement.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of our voting securities as of the Record Date by: (i) each person who is known by us, based solely on a review of public filings, to be the beneficial owner of more than 5% of any class of our outstanding voting securities, (ii) each director, (iii) each NEO, and (iv) all executive officers and directors as a group. None of the foregoing persons beneficially owned any shares of equity securities of our subsidiaries as of the Record Date.

Under applicable SEC rules, a person is deemed to be the “beneficial owner” of a voting security if such person has (or shares) either investment power or voting power over such security or has (or shares) the right to acquire such security within 60 days by any of a number of means, including upon the exercise of options or warrants or the conversion of convertible securities. A beneficial owner’s percentage ownership is determined by assuming that options, warrants and convertible securities that are held by the beneficial owner, but not those held by any other person, and which are exercisable or convertible within 60 days, have been exercised or converted. Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all voting securities shown as being owned by them. Unless otherwise indicated, the address of each beneficial owner in the table below is care of XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding ⁽¹⁾	Shares of Series A Preferred Stock Beneficially Owned ⁽²⁾	Percentage of Series A Preferred Stock Outstanding
Beneficial Ownership of 5% or more:				
Jacobs Private Equity, LLC	19,285,714 ⁽³⁾	17.5 %	67,500	94.9 %
Orbis Investment Management Limited ⁽⁴⁾ Orbis House, 25 Front Street Hamilton Bermuda HM11	18,735,423	20.6 %	—	—
BlackRock, Inc. ⁽⁵⁾ 55 East 52nd street New York, NY 10055	9,245,119	10.1 %	—	—
The Spruce House Partnership LLC ⁽⁶⁾ 435 Hudson Street, 8th Floor, New York, NY 10014	9,090,601	10.0 %	—	—
The Vanguard Group ⁽⁷⁾ 100 Vanguard Blvd., Malvern, PA 19355	8,536,007	9.4 %	—	—
Directors:				
Gena L. Ashe	12,006 ⁽⁸⁾	*	—	—
Marlene M. Colucci	2,637	*	—	—
AnnaMaria DeSalva	6,130 ⁽⁹⁾	*	—	—
Michael G. Jesselson	351,013 ⁽¹⁰⁾	*	725 ⁽¹¹⁾	1.0 %
Aris Kekedjian	570	*	—	—
Adrian P. Kingshott	137,262 ⁽¹²⁾	*	300	*
Jason D. Papastavrou	246,137 ⁽¹³⁾	*	650 ⁽¹⁴⁾	*
Oren G. Shaffer	70,048 ⁽¹⁵⁾	*	—	—
NEOs:				
Bradley S. Jacobs ⁺	19,799,601 ⁽¹⁶⁾	17.9 %	67,500	94.9 %
Troy A. Cooper	178,396 ⁽¹⁷⁾	*	—	—
Sarah J.S. Glickman	4,793 ⁽¹⁸⁾	*	—	—
Mario A. Harik	220,163 ⁽¹⁹⁾	*	—	—
David B. Wyshner	1 ⁽²⁰⁾	*	—	—
Current Directors and Executive Officers as a Group: (13 People)	21,028,758 ⁽²¹⁾	18.9 %	69,175	97.3 %

* Less than 1%

+ Director and Executive Officer

- (1) For purposes of this column, the number of shares of the class outstanding reflects the sum of: (i) 91,105,728 shares of our common stock that were outstanding as of the Record Date, (ii) the number of shares of our common stock into which the outstanding shares of our preferred stock held by the relevant person, if any, were convertible on the Record Date, (iii) the number of shares of our common stock, if any, which the relevant person could acquire on exercise of options or warrants within 60 days of the Record Date, and (iv) the number of RSUs, if any, held by the relevant person that are or will become vested within 60 days of the Record Date.
- (2) Each share of our Series A Preferred Stock that was outstanding on the Record Date has an initial liquidation preference of \$1,000 per share and is convertible into approximately 143 shares of our common stock at an effective conversion price of \$7.00 per share of our common stock. Our Series A Preferred Stock votes together as a single class with our common stock on an as-converted basis, except with respect to certain matters that impact the rights of holders of our Series A Preferred Stock, in which case our Series A Preferred Stock votes separately as a single class. As of the Record Date, there were 71,110 shares of preferred stock outstanding.
- (3) Consists of 9,642,857 shares of our common stock issuable upon conversion of 67,500 shares of our Series A Preferred Stock, and 9,642,857 shares of our common stock issuable upon the exercise of 9,642,857 warrants at an exercise price of \$7.00 per share of common stock. Mr. Jacobs has indirect beneficial ownership of the shares of our common stock and our Series A Preferred Stock beneficially owned by JPE as a result of being its managing member. In addition, Mr. Jacobs beneficially owns 263,887 shares of our common stock held directly following the vesting of equity incentive awards and 250,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date. See footnote⁽¹⁶⁾ below.
- (4) Based on Amendment No. 7 to the Schedule 13G filed on February 18, 2020 by Orbis Investment Management Limited (“OIML”), Orbis Investment Management (U.S.), L.P. (“OIMUS”) and Allan Gray Australia Pty Ltd (“AGAPL”), which reported that, as of December 31, 2019, OIML beneficially owned 18,570,951 shares of our common stock, OIMUS beneficially owned 156,137 shares of our common stock, and AGAPL beneficially owned 8,335 shares of our common stock. The group has sole voting and sole dispositive power over such shares of our common stock.
- (5) Based on Amendment No. 1 to the Schedule 13G filed on February 4, 2020 by BlackRock, Inc., which reported that, as of December 31, 2019, BlackRock, Inc. beneficially owned 9,245,119 shares of our common stock, with sole voting power over 8,623,015 shares of our common stock and sole dispositive power over 9,245,119 shares of our common stock.
- (6) Based on Form 4 filed on April 1, 2020 by The Spruce House Partnership LLC, (the “Aggregator”), its sole members being The Spruce House Partnership (AI) LP (f/k/a The Spruce House Partnership LP) and The Spruce House Partnership (QP) LP (collectively, the “Funds”), each a private investment fund managed by Spruce House Investment Management LLC (the “Investment Manager”). The reported shares of our common stock may be deemed to be beneficially owned by the Investment Manager, the general partner of the Funds, Spruce House Capital LLC (the “General Partner”), and by Zachary Sternberg and Benjamin Stein, managing members of the Investment Manager and the General Partner (the “Managing Members”). Each of the Funds, the Investment Manager, the General Partner and the Managing Members disclaim beneficial ownership of our common stock held by the Aggregator, except to the extent of his or its pecuniary interest therein. The Aggregator, the Funds, the Investment Manager, the General Partner and the Managing Members (collectively, the “Reporting Persons”) affirmatively disclaim being a “group” for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.
- (7) Based on Amendment No. 5 to the Schedule 13G filed on February 12, 2020 by The Vanguard Group, which reported that, as of December 31, 2019, The Vanguard Group beneficially owned 8,536,007 shares of our common stock with sole voting power over 73,037 shares of our common stock, shared voting power over 28,243 shares of our common stock, sole dispositive power over 8,442,640 shares of our common stock and shared dispositive power over 93,367 shares of our common stock.
- (8) Consists of 12,006 RSUs that are or will become vested within 60 days of the Record Date.
- (9) Includes 3,249 RSUs that are or will become vested within 60 days of the Record Date.
- (10) Includes: (i) 15,000 shares of our common stock held in an individual retirement account of Michael G. Jesselson, (ii) 10,000 shares of our common stock owned by Mr. Jesselson’s spouse, (iii) 12,000 shares of our common stock beneficially owned by the SJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (iv) 12,000 shares of our common stock beneficially owned by the RAJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (v) 12,000 shares of our common stock beneficially owned by the JJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (vi) 10,000 shares of our common stock beneficially owned by Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, (vii) 103,570 shares of our common stock issuable upon conversion of 725 shares of our Series A Preferred Stock, which shares of our Series A Preferred Stock are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, (viii) 103,572 shares of our common stock issuable upon the exercise of 103,572 warrants at an exercise price of \$7.00 per share of our common stock, which warrants are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, (ix) 21,322 shares of our common stock issuable upon the exercise of 21,322 warrants at an exercise price of \$7.00 per share of our common stock, which warrants are beneficially owned by Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, (x) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (xi) 6,041 RSUs that are or will become vested within 60 days of the Record Date.
- (11) See clause (vii) of footnote⁽¹⁰⁾.
- (12) Includes: (i) 42,857 shares of our common stock issuable upon conversion of 300 shares of our Series A Preferred Stock, (ii) 42,857 shares of our common stock issuable upon the exercise of 42,857 warrants at an exercise price of \$7.00 per share of our common stock, (iii) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on within 60 days of the Record Date, and (iv) 20,048 RSUs that are or will become vested within 60 days of the Record Date.
- (13) Includes: (i) 92,857 shares of our common stock issuable upon conversion of 650 shares of our Series A Preferred Stock, which shares of Series A Preferred Stock are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (ii) 92,857 shares of our common stock issuable upon the exercise of 92,857 warrants at an exercise price of \$7.00 per share of our common stock, which warrants are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (iii) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (iv) 19,299 RSUs that are or will become vested within 60 days of the Record Date.
- (14) See clause (i) of footnote⁽¹³⁾.
- (15) Includes: (i) 8,500 shares of our common stock issuable upon the exercise of 8,500 warrants at an exercise price of \$7.00 per share of common stock, (ii) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (iii) 25,048 RSUs that are or will become vested within 60 days of the Record Date.

- ⁽¹⁶⁾ Mr. Jacobs has indirect beneficial ownership of the shares of our common stock and our Series A Preferred Stock beneficially owned by JPE as a result of being its managing member. See footnote⁽³⁾. Also includes 263,887 shares of our common stock held directly by Mr. Jacobs following the vesting of equity incentive awards and 250,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.
- ⁽¹⁷⁾ Includes: (i) 10,000 shares of our common stock issuable upon the exercise of 10,000 warrants at an exercise price of \$7.00 per share of common stock, and (ii) 25,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.
- ⁽¹⁸⁾ Includes 2,842 RSUs that are or will become vested within 60 days of the Record Date.
- ⁽¹⁹⁾ Includes 135,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.
- ⁽²⁰⁾ Mr. Wyshner became the Chief Financial Officer of the company on March 2, 2020.
- ⁽²¹⁾ Includes: (i) 9,882,142 shares of our common stock issuable upon conversion of 69,175 shares of our preferred stock, (ii) 9,921,965 shares of our common stock issuable upon the exercise of 9,921,965 warrants at an exercise price of \$7.00 per share of our common stock, (iii) 506,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (iv) 88,533 RSUs that are or will become vested within 60 days of the Record Date.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes XPO's executive compensation program for 2019. The Compensation Committee of our Board of Directors (the "Committee") oversees our executive compensation program and practices. In this section, we explain how and why the Committee made its 2019 compensation decisions for the following named executive officers ("NEOs"):

NEO	2019 ROLE
Bradley S. Jacobs	Chairman and Chief Executive Officer
Troy A. Cooper	President
Mario A. Harik	Chief Information Officer
Sarah J.S. Glickman	Acting Chief Financial Officer (served as Acting Chief Financial Officer until March 2, 2020)
Kenneth R. Wagers III	Chief Operating Officer and Interim President, Less-Than-Truckload — North America (served until March 11, 2019)

2019 COMPANY PERFORMANCE HIGHLIGHTS

Overview

In 2019, our NEOs navigated the company through a weaker backdrop for our industry, driving a 24% increase in GAAP diluted earnings per share from the prior year. This gain reflects a significant increase in operating income from \$704 million in 2018, to \$821 million in 2019, and accretion from approximately \$1.9 billion of disciplined share repurchases.

Additional highlights for full-year 2019 include:

- \$4.03 of adjusted diluted EPS*, an increase of 26% over 2018;
- \$1.67 billion of adjusted EBITDA*, a company record;
- \$791 million of net cash provided by operating activities;
- \$628 million of free cash flow*;
- \$377 million in cash and over \$700 million of availability under our asset-based lending ("ABL") facility;
- Headcount of approximately 100,000 employees globally; and
- An absolute five-year total stockholder return ("TSR") of 95% as of December 31, 2019, well above the corresponding TSRs of the S&P 400 MidCap (54%) and Dow Jones Transportation Average (28%).

Despite an industrial recession in the US, declining growth in Europe and our largest customer substantially downsizing its business portfolio with us starting in the first quarter of 2019, XPO's TSR for 2019 was 40%, reflecting our NEOs' exemplary leadership in the face of significant challenges. This capped a decade in which XPO was the 7th best-performing stock among Fortune 500 companies.

Our NEOs have complementary strengths specific to XPO's growth strategy and competitive positioning. Our company is a leading global provider of supply chain services with an integrated network of people, technology and physical assets. We have three main drivers of value creation: critical scale, including leading positions in key service lines; impactful technology, particularly as it relates to improving revenue and margins; and deep expertise that delivers benefits for our customers.

In August 2019, our NEOs led the successful launch of 10 company-specific profit improvement initiatives that, in aggregate, represent a total pool of \$700 million to \$1 billion of potential profit growth opportunity by 2022. The single most important driver of these initiatives is our technology. Our technology investment in 2019 was approximately \$550 million, among the highest in the industry. We have the ability to deploy our proprietary technology across service lines within our business segments, and in some cases across segments, to realize widespread efficiencies in our operations. XPO Connect™, our digital freight marketplace, has automated shipper-carrier interactions across transportation modes, including our brokerage, intermodal, last mile and managed transportation services. WMx, our cutting-edge logistics platform, integrates advanced automation on the cloud, while our XPO Smart™ productivity tools have applications in both transportation and logistics.

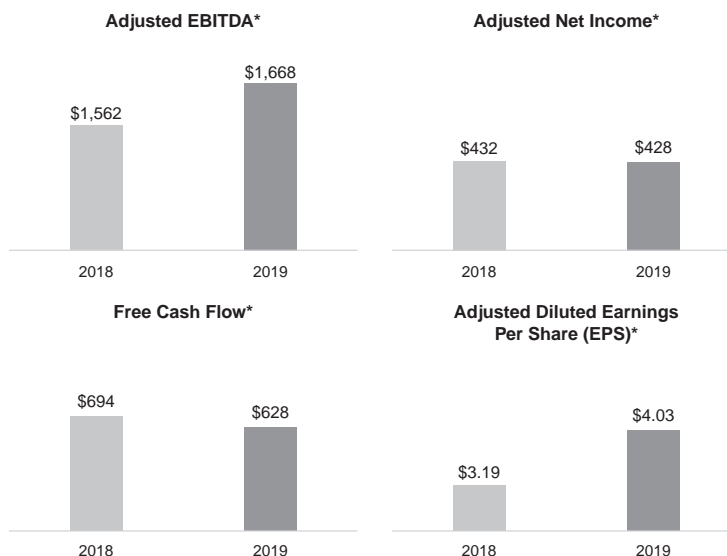
Importantly, our NEOs and our Board are deeply committed to our culture, which emphasizes safety, innovation, inclusiveness, an entrepreneurial spirit and respect for our planet and for each other. In 2019, the first full year of our enhanced Pregnancy Care Policy, over 600 of our employees received 1,135 accommodations, including more than 34,000 hours of prenatal paid leave. In addition, over 1,200 US employees took advantage of our paid family bonding policy, and 1,555 member-practitioner interactions were arranged through the no-cost supplemental health services we introduced. These supplemental services are delivered via a virtual clinic and provider network that covers over 20 different specialties in healthcare and family planning.

* See Annex A for reconciliation of this non-GAAP measure

Due in large part to the leadership of our NEOs, XPO is in a strong position to explore every opportunity to maximize stockholder value. Our NEOs are managing the business efficiently and profitably, with a steadfast focus on results for XPO stakeholders. This is a major reason why nearly 70% of Fortune 100 companies used XPO for supply chain solutions in 2019.

Focus on Profit Growth and Prudent Capital Allocation

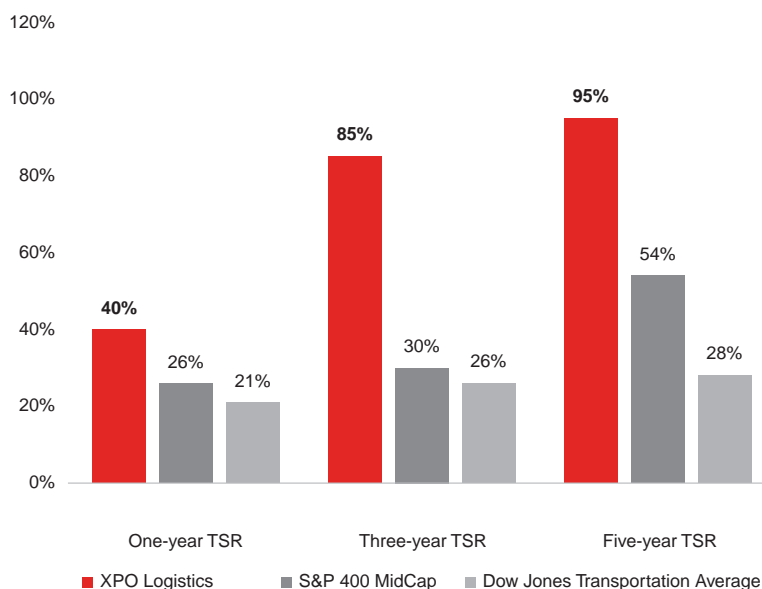
In 2019, the company delivered 26% year-over-year growth in adjusted diluted earnings per share* and 7% growth in adjusted EBITDA*. Free cash flow* generation performed in line with our 2019 financial plan, and exceeded the midpoint of our 2019 guidance range by \$3 million. The company also executed a stock repurchase program from December 14, 2018 through December 31, 2019 that was accretive to adjusted EPS by \$0.37 for 2019. Key financial data are summarized below (dollars in millions, except per-share data).



* See Annex A for reconciliation of this non-GAAP measure

Delivering Significant Total Stockholder Return (TSR)

The primary focus of our company's leadership team is to deliver meaningful value to our stockholders and other stakeholders through the execution of our strategy. Our steadfast commitment to long-term value creation, operational excellence and disciplined capital allocation have resulted in consistent outperformance of our total stockholder return relative to comparative indices, as illustrated below.



Note: TSR calculations reflect the relevant trading price of XPO common stock and that of the relevant indices as of the last trading day of calendar years 2019, 2018, 2017, 2016, 2015 and 2014, as supplied by Research Data Group. The graph above is not the annual performance graph required by Item 201(e) of Regulation S-K; the required graph can be found in Part II,

Our Commitment to Stockholder Value Creation and Alignment with Pay-for-Performance

On September 2, 2011, Bradley Jacobs began leading XPO as chief executive officer. Under Mr. Jacobs' strong leadership, for its first eight fiscal years combined (2012-2019), the company increased stockholder value by \$7.2 billion, as represented by the change in XPO's equity market capitalization from December 31, 2011 through December 31, 2019. Mr. Jacobs' average annual realized pay from 2012 to 2019 was \$9.9 million per year. Cumulatively, this equates to 1.1% of the total value created for stockholders during the eight-year period.

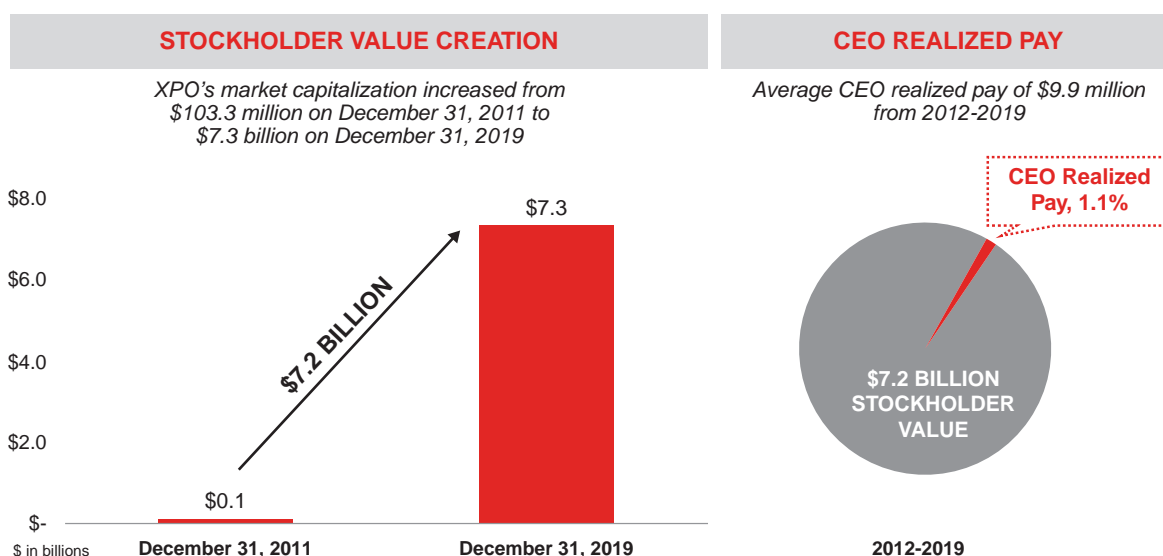
Realized pay represents the compensation actually received by our executives in a given year and is calculated as the sum of: (i) salary paid; (ii) bonus(es) related to the performance year; and (iii) the value of long-term incentive compensation that vested in the year, calculated based on the closing stock price on the date(s) the award(s) vested. No stock options were exercised during the period of 2012 to 2019; if stock options had been exercised, these amounts would have been included in realized pay calculations. The realized pay measure, utilized consistently, allows our stockholders to assess whether the actual value of the compensation received by our CEO and other executive officers is rightsized relative to stockholders' return on investment in the company over time.

The Committee's pay-for-performance philosophy has always focused on rewarding our executives for performance that creates substantial, long-term value for our stockholders. In determining the framework for performance-based awards, the Committee typically selects high-growth stretch goals for key operational indicators that extend beyond annual targets, and that vest on a long-term basis once the goals are entirely achieved. Our executives are not rewarded with a multiple of shares for exceeding targets, nor do they receive a threshold amount if they underdeliver. They also do not receive any portion of the award for meeting only some but not all goals required to earn the award. Instead, the amount of the award is typically representative of the hurdles inherent in achieving aspirational goals over a long period of time, and provides motivation for our executives to align their interests with the interests of our stockholders.

Over time, our financial and operational results have demonstrated the merits of this philosophy for our stakeholders. From 2012 to 2019, our leadership has consistently delivered on operational goals and strategic initiatives, resulting in growth of over \$400 million of net income and close to \$1.7 billion of adjusted EBITDA*. Moreover, our leadership has maintained a flexible and highly liquid balance sheet. We generated free cash flow* in excess of \$600 million in each of 2018 and 2019. We ended 2019 with \$377 million in cash and over \$700 million of availability under our ABL facility. We have no significant debt maturities until 2022. Additionally, headcount has grown from approximately 200 employees as of December 31, 2011 to approximately 100,000 employees as of December 31, 2019, reflecting the significant surge of employment opportunities at XPO.

In further alignment with our stockholders, beneficial ownership as of the Record Date for Mr. Jacobs was 17.9%. In addition, as executive officers at XPO, Mr. Jacobs, Mr. Cooper and Mr. Harik have not sold any shares from vested equity and have not exercised any stock options. Furthermore, all vested awards for Mr. Jacobs, Mr. Cooper and Mr. Harik are subject to lock-up restrictions prohibiting the sale of shares or exercise of options until September 2, 2020.

* See Annex A for reconciliation of this non-GAAP measure



Note: Market capitalization calculations reflect the relevant trading price of XPO common stock as of the last trading day of the calendar years 2011 and 2019, as sourced from Bloomberg.

2019 KEY EXECUTIVE COMPENSATION ACTIONS

The Committee met eight times during 2019 to discuss executive compensation and other items pursuant to its charter. In addition to the regular responsibilities of the Committee, all members of the Board were invited to attend internal quarterly operating review meetings with business unit management that included in-depth reviews of the company's financial results, as well as discussions about operational execution, sales, customer service, technology initiatives, process innovation, human capital management, safety, the market landscape and business growth trajectories. These meetings also included a review of key performance indicators tracking the company's achievement of financial and non-financial objectives for each business line. Multiple Committee members attended these three-day review sessions throughout the year in order to remain well informed of the company's financial and operational performance.

The Committee authorized several executive compensation actions in 2019, and in the early part of 2020, based upon: (i) evaluation of the company's progress towards the business unit operational and financial goals for each quarter and the full-year 2019; (ii) assessment of the company's long-term organic and inorganic growth outlook and stockholder value creation opportunities; (iii) review of competitive rates of pay for executives; and (iv) the Committee's specified responsibilities, pursuant to its charter. In summary, the highlights of the key decisions made by the Committee in 2019 and 2020 to date are as follows:

February 2019	<ul style="list-style-type: none"> ■ Certified the attainment of the \$5.38 adjusted cash flow per share goal relating to the third tranche of the February 2016 award of phantom stock (i.e., cash-settled) for Mr. Jacobs, Mr. Cooper and Mr. Harik. While the performance goal was meaningfully exceeded, this third tranche paid out at target as there is no additional upside for exceeding the target.
June 2019	<ul style="list-style-type: none"> ■ Awarded performance stock units (PSUs) that can be earned only upon achievement of adjusted EPS and relative TSR goals that cliff vest over a performance period of six years, with intentionally challenging growth targets that are attainable with particularly strong performance. The award is earned by achieving two targets by year-end 2024: (i) exceeding the S&P Transportation Select Industry Index by 34% (CAGR of 500 bps), and (ii) achieving adjusted earnings per share of \$9.08 (CAGR of 19% relative to 2018 adjusted EPS). ■ As with all prior PSUs, the June 2019 award: <ul style="list-style-type: none"> ○ Uses a "hit or miss" construct that keeps executives focused on the company's comprehensive strategy for value creation: both performance goals must be achieved for the PSUs to be earned; if either one or both goals are not attained by December 31, 2024, the entire award (100% of PSUs) is forfeited; and ○ Has no threshold level of payment for below-target performance and no additional upside for exceeding the targets. ■ Increased annual base salary amounts for Mr. Jacobs, Mr. Cooper and Mr. Harik, and raised bonus target percentages for Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman, to align their cash compensation with competitive levels in the market for companies of similar revenue scale. Prior to the 2019 increases, Mr. Jacobs, Mr. Cooper and Mr. Harik had not received annual salary or target bonus increases since the inception of their employment agreements in February 2016.
February 2020	<ul style="list-style-type: none"> ■ Certified the attainment of the \$6.39 adjusted cash flow per share goal relating to the fourth and final tranche of the February 2016 award of phantom stock for Mr. Jacobs, Mr. Cooper and Mr. Harik. While the performance goal was meaningfully exceeded, this fourth tranche paid out at target as there is no additional upside for exceeding the target.
March 2020	<ul style="list-style-type: none"> ■ Determined that no short-term cash incentive ("STI") would be paid to any of the NEOs for performance year 2019 in light of the Committee's evaluation of the total reward amounts already granted or earned for the year, which included consideration of: <ul style="list-style-type: none"> ○ The PSU awards previously granted in June 2019; ○ The meaningful amount realized from the final tranche of the February 2016 award of phantom stock that settled in February 2020 (for Mr. Jacobs, Mr. Cooper and Mr. Harik); ○ The additional income generated (relative to the prior year) from an increase in base salary, effective June 2019, for Mr. Jacobs, Mr. Cooper and Mr. Harik; and ○ The below-target average bonus payout for XPO corporate employees, due to the miss on adjusted EBITDA versus the mid-year revised guidance and financial plan. While our NEOs are part of the overall corporate employee bonus pool with respect to STI payouts, the Committee felt that with the factors above taken into account, no additional short-term payout consideration was warranted for our top executives.

Taken together, these actions demonstrate the Committee's focus on rewarding our executives for delivering long-term performance that creates substantial appreciation in value for our stockholders. Moreover, 100% of long-term incentive compensation for Mr. Jacobs, Mr. Cooper and Mr. Harik over the past two years has been awarded in the form of PSUs with high-growth stretch goals, and all equity-based compensation for Mr. Jacobs, Mr. Cooper and Mr. Harik is restricted from sale

until September 2, 2020. This alignment of management's objectives with our stockholders' interests is critically important. The Committee believes that forward-looking compensation incentives are instrumental in motivating executives to balance short-term and long-term initiatives for competitive differentiation, market share gains, and revenue and margin expansion.

NEO Transitions

The company completed three executive officer transitions in 2019 and early 2020:

- *Kenneth Wagers'* employment was terminated effective March 11, 2019 and the chief operating officer role was eliminated, as discussed in detail in last year's proxy statement.
- *David Wyshner* was hired as chief financial officer on March 2, 2020, from Wyndham Hotels & Resorts, Inc.
- *Sarah Glickman* stepped down from her position as acting chief financial officer on March 2, 2020, to assume the role of senior vice president, corporate finance and transformation.

Result of Stockholder Advisory Vote and Stockholder Outreach

We believe that strong corporate governance should include year-round engagement with stockholders, and we recognize the value of engaging in constructive dialogue with stockholders on business strategy, corporate governance, our executive compensation program, sustainability reporting initiatives and other critical matters. This allows us to better understand stockholders' views and interests, solicit their feedback and share our perspective on these important subjects.

In addition to our formal outreach related to the stockholder advisory vote on compensation, our investor relations team and chief strategy officer engage extensively with our stockholders throughout the year; often together with our CEO. This engagement includes regular dialogue immediately following our quarterly earnings calls, participation at investor conferences and other channels of communication.

With respect to executive compensation and governance, the stockholder advisory vote we conduct on an annual basis places a significant emphasis on garnering feedback from our key stockholders. While the vote is not binding on the company, its Board or the Committee, we believe that it is important for our stockholders to express their opinions by voting on our executive compensation structure and planned actions each year, which are disclosed in our proxy statement.

At the 2019 annual meeting, 67.1% of the votes cast on our advisory vote on executive compensation were in favor of our NEO compensation program. We were disappointed by the percentage of negative votes, even though the advisory vote obtained majority support. The Committee's goal is to continue to make responsive changes to our executive compensation programs and proxy disclosures on executive pay, while maintaining the emphasis on performance-based compensation opportunities that align with high growth and returns.

During our last set of engagement sessions in 2019, we proactively reached out to institutional investors representing approximately 20% of our common stock, ultimately engaging in dialogue with stockholders representing 15% of our common stock. Our Board's vice chairman was present for the majority of these conversations.

The table below provides an overview of the key feedback received from our stockholders relevant to our executive compensation program, as well as the actions we took in response. Feedback received from stockholders is shared with the Committee and serves as input in its decision-making process.

Feedback	Committee Actions
<ul style="list-style-type: none"> Stockholders appreciated the increased disclosure provided on the Committee's compensation decision-making process and choice of metrics, and our general engagement and responsiveness to stockholder feedback in the past year. 	<ul style="list-style-type: none"> Over the past several years, we have enhanced our CD&A disclosure to explain, in further detail, the Committee's decision-making process for performance award constructs and performance metrics. For 2020, we have continued to include incremental disclosures focused specifically on explaining the Committee's rationale with respect to the timing of each of our recent equity award grants for NEOs.
<ul style="list-style-type: none"> Stockholders inquired about the performance goals and metrics considered for both long-term and short-term incentive compensation, with a focus on the ambitious high-growth goals underlying the August 2018 PSU award. 	<ul style="list-style-type: none"> The Committee created a revised PSU award construct in June 2019 in response to stockholder commentary that the August 2018 PSU award goal might not be attainable (and, therefore, not meaningful to executives) based on existing market conditions. This followed an ongoing industrial recession in the US and declining growth in Europe during 2019, as well as the loss of a substantial part of the business of our largest customer. The new June 2019 PSU award was predicated on the latest company financial plans, which reflected continued weakness in our markets and the decision of our largest customer to downsize its business portfolio with XPO starting in the first quarter of 2019.
<ul style="list-style-type: none"> Stockholders suggested introducing a relative performance measure. 	<ul style="list-style-type: none"> The June 2019 PSU award includes a relative market-based measure in the underlying performance goals. A detailed discussion of the June 2019 grant can be found under the heading "June 2019 High-Growth Incentive Award: Cliff 2019-2024 PSUs."
<ul style="list-style-type: none"> Stockholders requested greater clarity on the timing and cadence of grants of long-term awards, which are more periodic and irregular in comparison to conventional practices for public companies. 	<ul style="list-style-type: none"> A new section entitled "Execution of XPO Company Strategy — Effect on Timing of Grants of Equity Awards", added below, details the Committee's perspective that incentive compensation reviews and grants of equity-based compensation should be considered at critical inflection points in the execution of the company's strategy and performance, rather than on a regular, pre-defined basis.

In addition to executive compensation, our discussions with stockholders covered XPO's business strategy, capital allocation priorities — such as our share repurchase program initiated in late 2018 — and the Board's role in overseeing the execution of company strategy. We also discussed governance topics, including our Board structure and, specifically, the Board's rationale for creating the lead independent director and vice chairman roles. Stockholders appreciated the Board's focus on diversity and discussed our proactive policy of Board refreshment. Finally, sustainability was another area of focus, with stockholders expressing appreciation for the release of XPO's inaugural Sustainability Report, highlighting its comprehensive overview of XPO's safety culture and agility in evolving benefits programs and workplace policies to meet employees' needs and sharing suggestions for its further development in future.

Execution of XPO Company Strategy — Effect on Timing of Grants of Equity Awards

The timing of grants of equity awards to our executive officers is not determined annually or on a predefined basis. Rather, the Committee considers such grants at critical inflection points in the execution of the company's strategy; this affords the Committee year-to-year flexibility in motivating our NEOs to achieve strategic priorities, as summarized below.

	COMPANY STRATEGY	AWARD GRANTS
<p>1</p> <p>2011–2014</p> <p>Start-up phase, 15 acquisitions</p>	<ul style="list-style-type: none"> September 2, 2011: Bradley Jacobs became CEO following a transformative investment and change of control. Integration of 15 synergistic acquisitions to achieve critical scale; expanded XPO's service range and established leading positions in key sectors. 	<p>Options, RSUs and PSUs</p> <ul style="list-style-type: none"> Options and RSUs granted earlier in the start-up phase; RSUs and PSUs awarded later with PSUs tied to stock price and adjusted EPS to align compensation with stockholder value creation.
<p>2</p> <p>2015–2016</p> <p>Transformative acquisitions, North America and Europe</p>	<ul style="list-style-type: none"> Completed the company's two largest and most transformative acquisitions: Norbert Dentressangle, primarily in Europe (June 2015), and Con-way, primarily in the US (October 2015). Added over \$11 billion in revenue, more than quadrupling the prior revenue base. Dramatically increased capacity to generate revenue, EBITDA and free cash flow. Named to the Fortune 500 list. 	<p>2016 Phantom Stock Award</p> <ul style="list-style-type: none"> Based on four annual performance periods (2016-2019), with gradual step-ups in performance goals to reward successful integration and forward-looking growth; incentivized executives to focus on both short-term and long-term stockholder value accretion. Earned by achieving ambitious targets for adjusted cash flow per share: <ul style="list-style-type: none"> 2016: \$2.93 2017: \$3.96 2018: \$5.38 2019: \$6.39
<p>3</p> <p>2017–2018</p> <p>Organic growth and optimization</p>	<ul style="list-style-type: none"> Accelerated cross-selling of services; launched strategic account managers to expand large customer relationships. By 2018, 55 of XPO's top 100 customers were using at least five services. Launched XPO Direct™ shared distribution network. Invested ~\$500 million in technology in 2018, significantly widening competitive moat and increasing ability to drive efficiencies within and across services. Ranked by <i>Fortune</i> as one of the World's Most Admired Companies and #1 in the transportation category. 	<p>August 2018 PSU Award</p> <ul style="list-style-type: none"> Performance period: January 1, 2019 through December 31, 2022. Focused on path forward with longer duration, and goals attainable only through ongoing long-term outperformance for stockholders. Earned by achieving both targets by year-end 2022: \$225 stock price and \$14.00 adjusted cash flow per share. Share price metric intended to increase alignment with stockholder interests, similar to start-up phase.
<p>4</p> <p>2019–2022</p> <p>Continued reinvestment and company-specific initiatives to maximize stockholder value</p>	<ul style="list-style-type: none"> Generated 7% EBITDA growth under adverse external conditions 2018-2019. Executed ~\$1.9 billion of share repurchases, December 2018 – December 2019. Initiated 10 company-specific cost and revenue initiatives representing up to \$1 billion of potential profit improvement by year-end 2022, with six of the initiatives related directly to technology. Review of strategic alternatives to enhance stockholder value initiated in January 2020; terminated in March due to COVID-19 global market disruptions. 	<p>June 2019 PSU Award</p> <ul style="list-style-type: none"> In response to stockholder feedback, added a relative share price metric that compares XPO to sector performance; reintroduced an adjusted EPS metric to balance operational and market measures. Extended performance period beyond prior award period, to January 1, 2019 through December 31, 2024. Earned by achieving both targets by year-end 2024: (i) exceeding the S&P Transportation Select Industry Index by 34% (CAGR of 500 bps), and (ii) achieving adjusted earnings per share of \$9.08 (CAGR of 19%).

OUR COMPENSATION PHILOSOPHY AND EXECUTIVE COMPENSATION PROGRAM OBJECTIVES

XPO's executive compensation philosophy is founded on the following core objectives:

- Attract high-impact, results-oriented executives in a competitive job market, who will contribute to XPO's goal of maximizing stockholder value.
- Maintain executive focus on the company's top priorities of profitable growth, innovation, operational excellence, customer satisfaction and employee safety and engagement.
- Ensure that each executive receives total compensation that encourages his or her long-term retention in a competitive job market.
- Reward exceptional levels of performance with commensurate levels of compensation.
- Align the interests of our executives with those of our stockholders by emphasizing high growth and high returns in our long-term, performance-based incentives.

OUR EXECUTIVE COMPENSATION GOVERNANCE FRAMEWORK

The company has adopted a compensation governance framework that includes the components described below, each of which the Committee believes reinforces the company's executive compensation philosophy and objectives.

WHAT WE DO

✓ **Significant emphasis on variable compensation.** Our executive compensation program is heavily weighted toward variable compensation, including long-term incentives that are primarily performance-based, and annual short-term cash incentives. This allows the Committee to closely align total compensation values with both company and individual performance on an annual and long-term basis.

✓ **Substantial portion of compensation subject to creation of stockholder value.** Performance-based awards are, and have been, subject to meaningful stock price and/or earnings-related performance goals measured over service-based vesting periods. All outstanding equity awards for Mr. Jacobs, Mr. Cooper and Mr. Harik are performance-based. The Committee also continually reviews the full portfolio of XPO stockholdings for each NEO to ensure there is a sufficient amount of compensation at risk and aligned with stockholder returns and value creation, while sustaining the NEO's focus on the company's strategic objectives.

✓ **Stock ownership policies.** The Board has adopted stock ownership guidelines and stock retention requirements that encourage the strong ownership mindset that exists among our executives.

✓ **Lock-up restrictions on equity awards.** Lock-up restrictions generally prohibit the sale, for a specified period of time, of any shares of our common stock delivered pursuant to equity awards granted to NEOs by our company.

✓ **Clawback policy.** Our NEOs are subject to clawback restrictions with respect to long-term and annual short-term incentive compensation.

✓ **Restrictive covenants.** Our NEOs are subject to comprehensive non-competition and other restrictive covenants.

WHAT WE DON'T DO

✗ **No exceptional perquisites.** Our NEOs have no guaranteed bonuses, relocation benefits or supplemental pension or retirement savings beyond what is provided broadly to all XPO employees. In addition, our NEOs have no perquisites such as personal use of company aircraft, executive health services, club memberships, stipends or financial planning services.

✗ **No pledging or hedging of company stock.** Under our insider trading policy, our company's directors and executive officers, including the NEOs, are prohibited from pledging or holding company securities in a margin account without preclearance. In addition, such persons are prohibited from engaging in hedging transactions without preclearance, such as prepaid variable forwards, equity swaps, collars and exchange funds or any other transactions that are designed to or have the effect of hedging or offsetting any decrease in the market value of company equity securities.

✗ **No guaranteed annual salary increases or bonuses.** Salary increases are not guaranteed annually and are benchmarked against market data. We do not guarantee bonus payouts.

✗ **No stock option repricing or discounted exercise price.** Our company's equity incentive plan does not permit either stock option repricing without stockholder approval or stock option awards with an exercise price below fair market value.

✗ **No golden parachute excise tax gross-ups.** XPO does not provide golden parachute excise tax gross-ups.

✗ **No consultant conflicts.** The Committee retains an independent compensation consultant who performs services only for the Committee, as described in more detail below under the heading "Role of the Committee's Independent Compensation Consultant."

Stock Ownership Policies

We believe that executive equity ownership in the company mitigates a number of risks, including risks related to executive retention and undue risk-taking.

Equity-based awards granted to our NEOs are generally subject to lock-up restrictions, as described in more detail below under the heading “Lock-up Restrictions on Equity Awards.” We believe that the combination of executive stock ownership policies and lock-up restrictions is a highly effective way to create meaningful and enduring stock ownership levels.

Guidelines

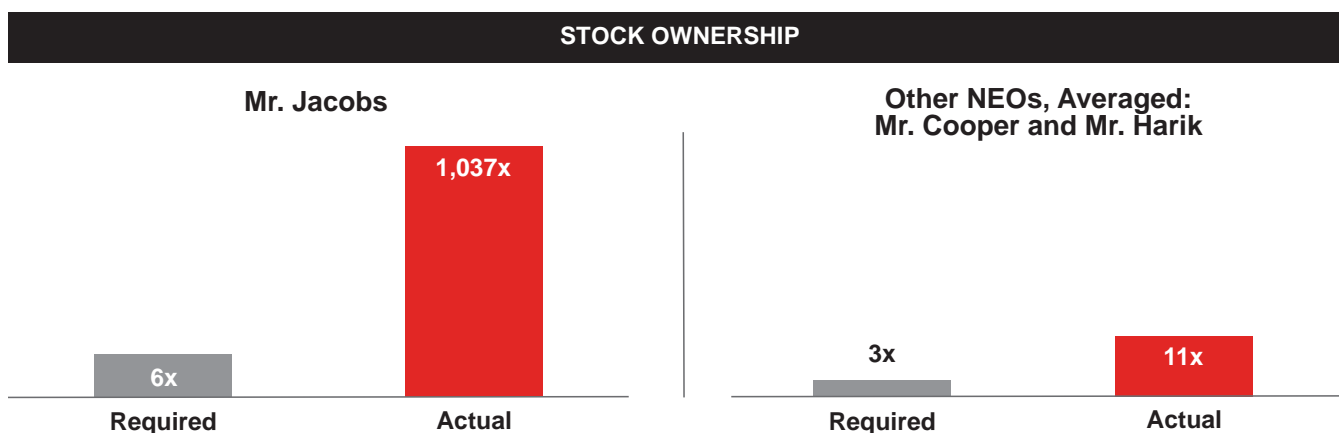
Stock ownership guidelines are expressed as a multiple of each NEO’s annual base salary:

- CEO: 6x annual base salary
- Other NEOs: 3x annual base salary

Compliance with our stock ownership guidelines is generally determined using the aggregate count of shares of common stock held directly or indirectly by the NEO, plus unvested restricted stock units (“RSUs”) subject solely to time-based vesting. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions, are not counted toward meeting the stock ownership guidelines until they have settled or been exercised, as applicable.

Until the stock ownership guidelines are met, an executive is required to retain 70% of the net shares (after tax withholding) received upon settlement of equity-based awards. A newly appointed executive is required to reach his or her stock ownership guideline no later than three years from the date of appointment.

As of the Record Date, Mr. Jacobs, Mr. Cooper and Mr. Harik were in compliance with our stock ownership guidelines and, in particular, Mr. Jacobs exceeded the guidelines by a significant degree: his ownership as a multiple of salary was equal to 1,037. Ownership as a multiple of salary for Mr. Cooper and Mr. Harik as of the Record Date was 13 and 10, respectively. During her service as acting chief financial officer, Ms. Glickman was required to meet the guidelines no later than August 2021, three years from her appointment as acting chief financial officer. Since Ms. Glickman’s transition to the role of senior vice president, corporate finance and transformation on March 2, 2020, she is no longer required to meet the guidelines.



Lock-up Restrictions on Equity Awards

- As of the Record Date, Mr. Jacobs, Mr. Cooper and Mr. Harik collectively hold approximately 465,000 shares of common stock issued as a result of the vesting of restricted stock awards, subject to lock-up restrictions through September 2, 2020.
- Mr. Jacobs, Mr. Cooper and Mr. Harik also collectively hold 410,000 fully vested stock options. Shares to be issued upon the exercise of such options are also subject to lock-up restrictions through September 2, 2020.
- The lock-up restrictions for Mr. Jacobs have been in place since 2011, and for Mr. Cooper and Mr. Harik since 2014. As executive officers at XPO, Mr. Jacobs, Mr. Cooper and Mr. Harik have not sold shares from vested equity and have not exercised stock options.
- Shares to be issued to Ms. Glickman upon the vesting of her August 2018 PSU award, granted in recognition of her taking on the acting chief financial officer role, are subject to a lock-up of 90 days following vesting.

Clawback Policy

Our NEOs are subject to clawback restrictions with respect to long-term and annual short-term incentive compensation. The Committee is focused on mitigating risk associated with the company's compensation program for NEOs and believes that clawback provisions are an important tool to achieve this.

Long-term incentive compensation

The NEO employment agreements include a clawback provision under which the NEO may be required, upon certain triggering events, to repay all or a portion of long-term incentive compensation that was previously paid (including proceeds from previously-exercised and vested equity-based awards) and to forfeit unvested equity-based awards during the term of the employment agreements. These clawback provisions are generally triggered if any of the following conditions apply — the NEO:

- Has engaged in fraud or other willful misconduct that contributes materially to any significant financial restatements or material loss to our company or any of our affiliates;
- Is terminated for cause, as defined in the employment agreement; or
- Breaches the restrictive covenants that are applicable under the employment agreement.

Annual short-term incentive compensation

In addition, if a NEO has engaged in fraud or other willful misconduct that contributes materially to any financial restatements or material loss to the company or any of its affiliates, the company may require repayment by the NEO of any cash bonus or annual bonus previously paid (net of any taxes paid by the NEO on such bonus), and/or may cancel any earned but unpaid cash bonus or annual bonus, and/or adjust the NEO's future compensation in order to recover an appropriate amount with respect to the restated financial results or the material loss.

Additional provision

To the extent that the rules adopted by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act are broader than the clawback provisions contained in our NEO employment agreements, and to the extent the company is required to implement a clawback policy pursuant to applicable law, the NEOs will each be subject to additional clawback provisions pursuant to such rules as described under the heading "Employment Agreements with NEOs—Clawbacks."

Compensation Structure

The general arrangement for NEO compensation at our company includes: (i) fixed base salaries; and (ii) variable incentive compensation consisting of annual cash incentives and equity awards that emphasize pay-for-performance and, in the case of equity-based awards, achievement of long-term performance goals.

The Committee chooses to weight the pay mix of our NEO compensation heavily toward variable incentive compensation, delivered primarily in the form of long-term equity awards. The Committee believes that this variability provides greater latitude in contemplating all relevant circumstances when making total reward determinations for each NEO, including: the Committee's assessment of individual responsibilities and contributions to corporate performance, the company's trend on total stockholder return, overall company success in achieving strategic goals, the company's position relative to market levels of pay, and the amount of realized and realizable pay in each NEO's compensation profile.

Role of the Committee

The Committee is responsible for approving our compensation practices and overseeing our executive compensation program in a manner consistent with our compensation philosophy. The Committee is tasked with: (i) reviewing the annual and long-term performance goals for our NEOs; (ii) approving awards under incentive compensation and equity-based plans; and (iii) approving all other compensation and benefits for our NEOs. The Committee acts independently but works closely with the full Board and executive management in making many of its decisions. To assist it in discharging its responsibilities, the Committee has retained the services of an independent compensation consultant, Semler Brossy, as discussed below.

Role of Management

Executive management provides input to the Committee, including with respect to the Committee's evaluation of executive compensation practices. In particular, our chief executive officer, Mr. Jacobs, provides recommendations for proposed compensation actions with respect to our executive team, but not with respect to his own compensation. The Committee carefully and independently reviews the recommendations of management without members of management present and consults its independent advisor, Semler Brossy, before making final determinations. We believe this process ensures that our executive compensation program effectively aligns with XPO's compensation philosophy and stockholder interests.

Role of the Committee's Independent Compensation Consultant

The Committee directly retained Semler Brossy as its independent advisor for compensation and governance matters during 2019. Semler Brossy supported the Committee with respect to NEO compensation by: (i) reviewing 2019 compensation packages and long-term incentive awards for NEOs and other senior officers; (ii) providing analysis and guidance regarding the CEO's pay level relative to performance; (iii) reviewing this Compensation Discussion and Analysis and the related tables and narratives; (iv) assessing the risks associated with the company's overall compensation policies and practices; (v) monitoring trends and evolving market practices in executive compensation; and (vi) providing general advice and support to the Committee and Committee chairman. Semler Brossy does not provide any other services to the company.

As part of the Committee's annual performance evaluation of its independent compensation consultant, the Committee considered Semler Brossy's independence in light of applicable SEC rules and NYSE listing standards. After taking into account the absence of any Semler Brossy relationships with management and members of the Committee, Semler Brossy's internal policies and other information provided to the Committee, the Committee determined that Semler Brossy's work did not raise any conflicts of interest that would prevent it from serving as an independent compensation consultant to the Committee.

THE COMMITTEE'S COMPENSATION DECISION-MAKING PROCESS

The Committee believes that its holistic approach to evaluating individual and company performance results in greater alignment with stockholder interests than do overly formulaic programs, which may skew incentives. The decision-making process incorporates an element of discretion, allowing the Committee to utilize a balanced, multi-dimensional approach to NEO compensation that includes a review of performance against goals set at the beginning of the year, as described below.

NEO Compensation-Setting Process

The Committee resets the stage for compensation determinations annually by evaluating its decision framework for executives at the beginning of each year. This includes determining the maximum short-term incentive payout for that year and the gating threshold for eligibility. The minimum short-term incentive payout is always zero, as the Committee can exercise discretion in its decision-making process to nullify incentives. For 2019, the short-term incentive maximum payout was set at 200% of target, and the gating threshold for eligibility was 90% of the company's 2019 adjusted EBITDA forecast. The Committee utilizes this decision-making framework when determining both short-term and long-term incentives throughout the year, bolstered by the in-depth evaluations described under the heading "Key Factors Considered in Determining Executive Compensation".

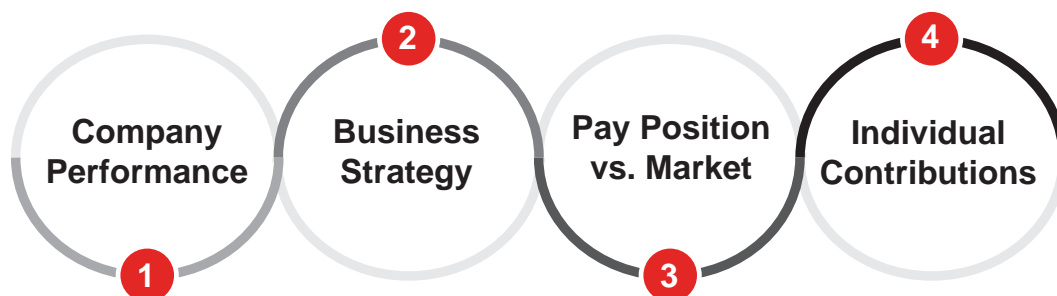
2019 NEO COMPENSATION DECISION FRAMEWORK

FULLFILLMENT OF STRATEGIC INTENT

The Committee reviews financial and non-financial accomplishments specific to the company's business units, relative to budget and other objectives.

NEO PERFORMANCE ASSESSMENT

The Committee, with respect to the CEO, and the CEO with respect to the other NEOs, evaluate the individual accomplishments and contributions of each NEO.



GATING THRESHOLD

NEOs are eligible for a bonus if a minimum of 90% of the company's adjusted EBITDA forecast is achieved.

MARKET ALIGNMENT

The Committee, in consultation with its compensation consultant, assesses all key components of NEO compensation against market pay levels to keep pace with the competitive landscape.

KEY FACTORS CONSIDERED IN DETERMINING EXECUTIVE COMPENSATION

1 The company's financial results relative to publicly disclosed targets for 2019

- As part of the company's budget and forecast processes for 2019, our senior executives established goals for several key measures, which were reviewed with the Board (namely, the first three key measures in the chart below). Performance against these measures is considered by the Committee when determining annual incentives for the NEOs. In addition, TSR performance, both in absolute and relative terms, is a significant factor in the Committee's decision-making process.
- Overall, under the skilled leadership of our NEOs, XPO generated positive results in 2019 based on multiple financial measures, while underperforming on adjusted EBITDA relative to the increased target communicated to our investors in mid-year 2019. The weaker macro environment for the transportation industry in the latter half of 2019 weighed on the timing of our growth prospects. Despite the macro backdrop, XPO's performance exceeded that of many of our core transportation industry competitors based on multiple operational and financial indicators, and the company achieved full-year adjusted EBITDA within the original target range set at the beginning of 2019.

PRIMARY FINANCIAL MEASURES UNDERSCORING COMMITTEE ASSESSMENT

Key Measures	2019 Targets	2019 Achievements
Adjusted EBITDA*	Range of \$1.675–1.725 billion <i>(adjusted mid-year from lower range of \$1.650–1.725 billion)</i>	✗ \$1.668 billion (+7% year-over-year)
Organic Revenue Growth*	Expectation of 0% up to 1.0% vs. 2018	✓ Up 0.1% year-over-year
Free Cash Flow*	Range of \$575–675 million	✓ \$628 million
Annual TSR	Expectation of alignment with relevant indices	XPO: 40% ✓ Dow Jones US Transportation Average: 21% S&P 400 MidCap: 26%

* See Annex A for reconciliations of adjusted EBITDA, organic revenue growth and free cash flow, all of which are non-GAAP measures

- Additionally, the Committee certified that the goal associated with the previously awarded PSUs granted in February 2016 to Mr. Jacobs, Mr. Cooper and Mr. Harik had been met. The fourth and final tranche of these awards settled in February 2020 based on surpassing the goal of \$6.39 of adjusted cash flow per share associated with the 2019 performance year.

2 The current value of realized and future realizable payouts of previously awarded stock compensation

- Stock-based compensation represents a significant portion of the total realizable pay for our NEOs and, as a result, the Committee evaluated the current value of XPO stockholdings for each NEO to determine the appropriate balance between short-term cash incentives and long-term equity, and to assess whether there is sufficient compensation that is at risk of forfeiture and value fluctuation based on the company's performance.
- For Mr. Jacobs, Mr. Cooper and Mr. Harik, the Committee focused on the current value of the PSUs granted in February 2016 held by each executive, as the fourth and final tranche was due to settle in February 2020 (Ms. Glickman did not receive this award, as she was not in her respective role at XPO in 2016).
- Over the course of 2019, the XPO stock portfolio of our NEOs experienced significant appreciation, in line with the TSR experience of all XPO stockholders.

3 Analysis of total reward levels for our NEO roles, relative to our core peer group and the general industry

- The Committee, with input from management and Semler Brossy, established the peer group used in evaluating executive compensation to ensure the selected companies reflect certain characteristics comparable to XPO. The companies comprising the 2019 peer group represent most of our US-based publicly traded competitors in the transportation and logistics industry that have annual revenue greater than 25% of XPO's revenue and, in the Committee's view, can reasonably be considered peers of XPO for this analysis.
- We consider the structure of our peers' pay programs; however, the Committee does not target a specific percentile positioning for XPO relative to the peer group. In addition, the Committee does not target a specific mix between cash and equity or short-term and long-term compensation relative to the mix used by peer group companies. The peer group for 2019 consisted of the following companies:

PEER	TICKER	2019 FULL-YEAR REVENUE (\$ in millions)
United Parcel Service, Inc.	UPS	\$74,094
FedEx Corp.	FDX	\$69,693
Union Pacific Corp.	UNP	\$21,708
C.H. Robinson Worldwide, Inc.	CHRW	\$15,310
CSX Corp.	CSX	\$11,937
Norfolk Southern Corp.	NSC	\$11,296
J.B. Hunt Transport Services, Inc.	JBHT	\$9,165
Ryder Systems, Inc.	R	\$8,926
Expeditors International of Washington, Inc.	EXPD	\$8,175
YRC Worldwide, Inc.	YRCW	\$4,871
Knight-Swift Transportation	KNX	\$4,844
XPO Logistics, Inc.	XPO	\$16,648
Percent Rank		72%

- Semler Brossy analyzed competitive pay levels of comparable NEOs at the peer companies using the most recent annual proxy statement disclosures. As a supplement to this data, XPO management provided a competitive market analysis retrieved from general industry executive compensation disclosures and survey results, which offered insights into the lower quartile, median and upper quartile of all compensation components for executive positions spanning over 40 companies, ranging from \$15 billion to \$20 billion in annual revenue.
- Given the significant number of senior executives hired into our company from outside the transportation and logistics industry, management felt that comparing our NEOs to the NEOs of companies of similar revenue size in other industries would supplement peer market data by providing a more comprehensive and multi-dimensional view of the market landscape.
- The analysis across these two data sets was reviewed by the Committee during its 2019 decision-making process, resulting in a resetting of target cash compensation levels for our NEOs and providing an anchor point for calibrating the amount of future-oriented long-term incentive compensation to be awarded.
- Typically, for awards that vest over a long-term period (four years and beyond) with intentionally challenging targets, the Committee considers applying a multiple of the market-comparative amount for each NEO to keep our NEOs motivated to execute our long-term priorities. This is intended to: (i) calibrate equity award opportunities for our NEOs with market levels, while considering our practice of granting awards that span long-tailed performance periods without overlapping payouts; and (ii) align the awards directly with stockholder interests as we approach attainment of those high-growth goals over the course of the vesting schedule.

4

Continuing NEOs' individual performance and contributions to the company throughout 2019

- The Committee, with respect to the CEO, and the CEO with respect to the other NEOs, evaluate the individual accomplishments and contributions of each continuing NEO (Mr. Jacobs, Mr. Cooper, Mr. Harik, Ms. Glickman) who was employed as of December 31, 2019, as described in the detailed assessments provided below.
- In determining the 2019 total reward for each continuing NEO, the Committee's goal was to make a balanced assessment of the accomplishments and the challenges faced, in addition to considering the size and scope of the NEO's role and his or her degree of involvement in driving operational and financial outcomes for certain business units and/or for the company as a whole.
- For 2019, the Committee determined that our company either accomplished or exceeded some of its key financial and strategic objectives for the year, while falling short on others.
- Ultimately, while each of the continuing NEOs was determined to have contributed meaningfully to the company's significant financial achievements—particularly in the context of a challenging market environment for the industry—the company did not fully meet the 2019 adjusted EBITDA target that was reset in mid-year 2019, and which was the basis upon which bonuses were determined for all corporate employees (consequently, the aggregate corporate bonus payout related to 2019 was below target).
- When weighing this against all other compensation actions taken for 2019 and early 2020, such as the June 2019 grant of PSUs, the increased annual base salary rates effective in June 2019 and the realized cash payment in February 2020 from the February 2016 phantom stock award, the Committee determined that the current reward levels were sufficient with respect to 2019 and did not award an additional short-term cash incentive.

ASSESSMENT OF CEO PERFORMANCE AND CONTRIBUTIONS IN 2019

HIGHLIGHTED ACHIEVEMENTS		
1	PROFIT GROWTH	<ul style="list-style-type: none"> ▪ Year-over-year growth in GAAP diluted EPS and adjusted diluted EPS* of 24% and 26%, respectively ▪ Year-over-year growth in adjusted EBITDA* of 7%, to \$1.668 billion ▪ Robust free cash flow* generation of \$628 million ▪ One-year, three-year and five-year TSRs of 40%, 85% and 95%, respectively <p><i>* See Annex A for reconciliation of non-GAAP measures</i></p>
2	BUSINESS GROWTH	<p>Mr. Jacobs again successfully led the company to a strong performance and numerous accolades in 2019:</p> <ul style="list-style-type: none"> ▪ XPO advanced to #180 on the Fortune 500 ▪ XPO was named a leader in the Gartner “Magic Quadrant” for third-party logistics providers for the third consecutive year ▪ Supported investments in cutting-edge technologies that advanced XPO’s positioning as an innovation leader with significant capacity for growth
3	LEADERSHIP OF THE COMPANY	<p>Under Mr. Jacobs’ leadership, XPO continued to build a strong, purpose-driven culture across all lines of business:</p> <ul style="list-style-type: none"> ▪ Led XPO to the #1 position in Transport Topics’ “Logistics 50” ranking by revenue for the third straight year ▪ Fortune Magazine named XPO one of the “World’s Most Admired Companies” again in 2019, and #1 in the trucking, transportation and logistics category ▪ Newsweek ranked XPO in the top 100 of “America’s Most Responsible Companies” ▪ Forbes named XPO as a “Best Company to Work For” in Spain
4	EMPLOYEE ENGAGEMENT	<ul style="list-style-type: none"> ▪ Mr. Jacobs conducts quarterly employee engagement surveys, which are sent to approximately 45,000 employees across the company’s global workforce: <ul style="list-style-type: none"> ○ In these surveys, Mr. Jacobs solicits feedback on employee satisfaction and encourages ideas for improvement ○ Employee satisfaction ratings (averaging above 7 out of 10) and the percentage of satisfied employees remained high throughout 2019 ▪ Mr. Jacobs continues to hold quarterly live town halls with employees around the world to discuss business priorities and answer questions ▪ Mr. Jacobs championed the company’s partnership with the Susan G. Komen foundation to fight breast cancer, with hundreds of XPO employees participating in events nationwide
5	BOARD ENGAGEMENT	<ul style="list-style-type: none"> ▪ Throughout 2019, Mr. Jacobs continued to engage Board members in internal business reviews, encouraging real-time interaction and discussions ▪ Under Mr. Jacobs’ leadership, <ul style="list-style-type: none"> ○ XPO continued to prioritize strong governance and Board diversity by promoting independent director AnnaMaria DeSalva to vice chairman of the Board in February 2019 and appointing Marlene Colucci to the Board in February 2019 ○ Board members are invited to attend quarterly business reviews and hear firsthand the status of each major business unit and corporate function against quarterly and annual goals ○ Directors engage in dialogue with management about strategy and opportunities, as well as any immediate issues that may affect the business

ASSESSMENT OF OTHER NEOs' PERFORMANCE AND CONTRIBUTIONS IN 2019

In considering the NEOs' annual short-term incentive awards for 2019, the Committee evaluated the overall performance of the company, the company's performance against its strategic objectives, the importance of each NEO's role in relation to the holistic operation of the company, and the CEO's assessment of each NEO's performance and contributions to the company. The chart below summarizes key 2019 achievements of each of our NEOs. Mr. Wagers is excluded due to his departure from the company in early 2019.

HIGHLIGHTED ACHIEVEMENTS	
<p>TROY A. COOPER <i>President</i></p>	<ul style="list-style-type: none"> ■ Oversaw the company's operations with a strong focus on the transportation segment, resulting in notable profit growth, as reflected in these and other full-year financial achievements for the segment: <ul style="list-style-type: none"> ○ Year-over-year growth in operating income of 16.4%, to \$752 million ○ Year-over-year growth in adjusted EBITDA* of 5.5%, to \$1.265 billion ■ Spearheaded the launch of 10 company-wide cost and revenue initiatives that represent a total pool of \$700 million to \$1 billion of potential profit growth opportunity by 2022, largely independent of macro factors ■ Positioned less-than-truckload ("LTL") business on a path to at least \$1 billion in EBITDA for 2021 ■ Led LTL business to a record full-year adjusted operating ratio of 82.7%* ■ Supported XPO's competitive differentiation with key service offerings, including positions as the largest e-commerce fulfillment provider in Europe and the largest last mile provider for heavy goods in North America <p><small>* See Annex A for reconciliation of non-GAAP measure</small></p>
<p>MARIO A. HARIK <i>Chief Information Officer</i></p>	<ul style="list-style-type: none"> ■ Oversaw one of the largest annual technology investments in the industry at approximately \$550 million in 2019, deploying it strategically to accelerate innovation company-wide <ul style="list-style-type: none"> ○ Mr. Harik's prudent capital allocations kept XPO on target to generate free cash flow* of \$628 million, exceeding the midpoint of the higher guidance issued in mid-year 2019 ■ Led the successful expansion of XPO Connect™, the company's proprietary, cloud-based, digital freight marketplace with self-learning capabilities and automated functionality for transportation transactions. Highlights of the expansion included the extension of XPO Connect™ to XPO's last mile platform, and the launch of XPO Connect™ in the company's European transportation operations ■ Oversaw the successful roll-out of XPO Smart™ productivity analytics in all North American LTL terminals and over 100 logistics warehouses ■ Oversaw the successful implementation of intelligent 6 River Systems robotics in the UK, expanding this partnership beyond North America to continue moving toward safer and more productive logistics operations ■ Facilitated new technology initiatives in the LTL business, including the piloting of network optimization tools ■ Managed the rollout of a new forecasting tool that uses machine learning to help logistics customers manage inventories and allocation of resources ■ Oversaw our cyber security program deploying multiple new capabilities which successfully blocked 630 million threats from our operations globally ■ Managed a technology team comprised of approximately 1,800 technology professionals, including over 100 data scientists, assigned to different areas of the business <p><small>* See Annex A for reconciliation of non-GAAP measure</small></p>
<p>SARAH J.S. GLICKMAN <i>Acting Chief Financial Officer</i></p>	<ul style="list-style-type: none"> ■ Kept XPO on target to generate free cash flow* of \$628 million, exceeding the midpoint of the higher guidance issued in mid-year 2019 ■ Initiated a \$1 billion unsecured financing package with lenders to pay off the existing facility and fund the company's share repurchase program ■ Actively managed the company's real estate portfolio ■ Led the company's procurement efforts, resulting in incremental savings ■ Continued to optimize financial operations through the ongoing upgrades of processes and systems and the expansion of XPO's finance shared-services model <p><small>* See Annex A for reconciliation of non-GAAP measure</small></p>

EXECUTIVE COMPENSATION OUTCOMES FOR 2019

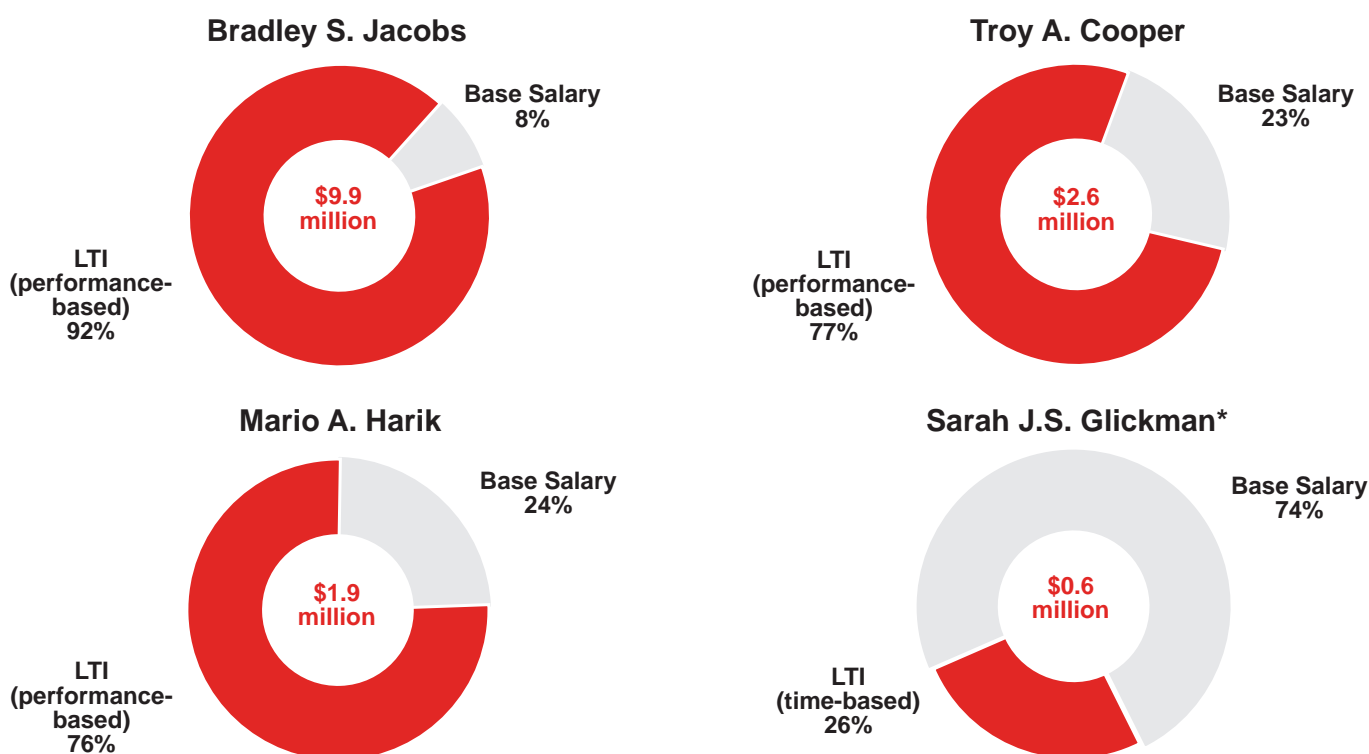
Total Realized Pay

Realized pay demonstrates the strong interrelation between our NEOs' compensation opportunity and the company's performance. The Committee believes that the mix of pay for NEOs, which is more heavily weighted toward performance-based pay, is appropriate to drive execution of our long-term strategy and further align the interests of our NEOs with those of our stockholders.

To assist stockholders in understanding the compensation earned by our NEOs in 2019, the charts below show the total realized pay mix for each of our NEOs. Realized pay is designed to capture the compensation actually received by our NEOs, and is calculated as the sum of: (i) salary paid in 2019; and (ii) the value of long-term incentive compensation that vested during 2019, calculated based on the closing stock price on the date(s) the award(s) vested. No bonuses were earned with respect to the 2019 performance year and no stock options were exercised during 2019; these amounts would have otherwise been included in the realized pay calculation.

Realized pay differs from the SEC-required disclosure in the Summary Compensation table, which captures the grant date fair value of long-term incentive awards granted in a given year, and does not account for long-term incentive awards that may not vest for several years (or at all).

2019 TOTAL REALIZED PAY MIX



* Ms. Glickman was hired in June 2018 and did not, therefore, have meaningful stock vesting events in 2019.

Base Salary and Annual Target Bonus Opportunity

On June 5, 2019, the Committee approved increases to the base salary and target bonus opportunity for each of Mr. Jacobs, Mr. Cooper and Mr. Harik; until this approval, the base salaries and target bonus opportunities had remained unchanged since the inception of our NEOs' employment agreements in February 2016. An increase to Ms. Glickman's target bonus opportunity was also approved on June 5, 2019. The Committee's annual benchmarking review of NEO compensation components prompted these increases, as the cash compensation of our NEOs was notably below market, particularly as compared to executive pay levels for comparable positions across public companies with 2018 revenues ranging from \$15 billion to \$20 billion.

The base salary and target bonus amounts approved on June 5, 2019, and the amounts in effect prior to June 5, 2019, are:

Executive Officer	Annual Base Salary		Target Annual Bonus Opportunity (as a percentage of annual base salary)	
	Previous	Current	Previous	Current
Bradley S. Jacobs	\$625,000	\$1,000,000	100%	200%
Troy A. Cooper	\$537,500	\$650,000	100%	200%
Mario A. Harik	\$425,000	\$500,000	100%	125%
Sarah J.S. Glickman	\$425,000	\$425,000	75%	100%

Annual Short-Term Incentive

Gating Threshold to Establish Eligibility for Short-Term Incentive Payout

For the 2019 performance year, the Committee determined that the company's adjusted EBITDA must equal or exceed 90% of the 2019 full-year forecast in order for each NEO who remained employed on the date of payment to become eligible for a short-term incentive award.

Maximum Amount of Bonus

The evaluation of short-term incentive payouts is based on a framework of key performance measures that are of preeminent importance to the company and our stockholders, as well as on the respective contributions of each NEO in his or her role. Based on the Committee's 2019 decision-making framework, cash bonuses are subject to a payout range of 0% to 200% of target.

2019 Short-Term Incentive (STI) Payout

While the company's adjusted EBITDA exceeded the 90% threshold required for STI payout, the Committee used its discretion to award no short-term incentives to our NEOs, despite achieving solid company performance on most of the related key financial and non-financial indicators and making commendable contributions on an individual basis. This decision was premised on the Committee's holistic view of the total rewards granted and realized with respect to 2019. In particular, the Committee took the following into account:

1. The PSU awards previously granted in June 2019.
2. The meaningful amount of realized pay earned in cash from the final tranche of the February 2016 phantom stock award that settled in February 2020 for Mr. Jacobs, Mr. Cooper and Mr. Harik, based on exceeding the 2019 adjusted cash flow per share threshold of \$6.39.
3. The additional income generated (relative to the prior year) from increases in base salary, effective June 2019, for Mr. Jacobs, Mr. Cooper and Mr. Harik.
4. The average bonus payout to XPO corporate employees was less than 100% of target, due to the miss on adjusted EBITDA versus the mid-year revised guidance and financial plan. While our NEOs are part of the overall corporate employee bonus pool with respect to STI payouts, the Committee felt that with the factors above taken into account, no additional short-term payout consideration was warranted for our top executives.

Below is a summary of the total annual cash compensation for each NEO at target and with respect to 2019 final outcomes:

ANNUAL CASH COMPENSATION FOR PERFORMANCE YEAR 2019						
Executive Officer	Annual Base Salary ⁽¹⁾	Target Annual Cash Incentive			Actual 2019 Compensation	
		Annual Cash Incentive (% of Salary)	Annual Cash Incentive	Total Annual Cash Compensation	Annual Cash Incentive	Total Cash Compensation ⁽²⁾
Bradley S. Jacobs	\$1,000,000	200%	\$2,000,000	\$3,000,000	-	\$838,462
Troy A. Cooper	\$650,000	200%	\$1,300,000	\$1,950,000	-	\$601,539
Mario A. Harik	\$500,000	125%	\$625,000	\$1,125,000	-	\$467,692
Sarah J.S. Glickman	\$425,000	100%	\$425,000	\$850,000	-	\$425,000

(1) Reflects salary in effect as of June 2019

(2) Reflects salary earned for all of fiscal year 2019

Long-Term Incentive

The Committee's goal in granting LTI awards is to focus executives on the execution of our strategy, especially during critical inflection points in the company's growth trajectory. Since 2014, for Mr. Jacobs, Mr. Cooper and Mr. Harik, the Committee has not granted time-based restricted stock awards and has instead granted only performance-based awards subject to the achievement of high-growth goals. Performance-based awards have provided an effective incentive for our NEOs to grow XPO's net income from a net loss of \$23 million in 2012, to \$379 million in 2019, and to increase adjusted EBITDA* from a loss of \$26 million in 2012 to \$1.668 billion in 2019.

The Committee believes that LTI awards should be underpinned by future-oriented, high-growth performance and/or market-based goals that promote sustained operational excellence over a reasonable period, creating an incentive to organically grow the business, capitalize on addressable opportunities to gain market share and deliver optimal value to stockholders.

In June 2019, the Committee approved a grant of long-term performance-based incentive awards for each of our NEOs, consisting of both an operational metric and a relative market-based measure, as described below in "Outstanding Equity Awards as of December 31, 2019" under "June 2019 High-Growth Incentive Award: Cliff 2019-2024 PSUs".

* See Annex A for reconciliation of non-GAAP measure

Outstanding Equity Awards as of December 31, 2019

1 February 2016 Phantom Stock Award: Annualized 2016-2019 PSUs

The fourth and final tranche of the February 2016 phantom stock award, granted to each of Mr. Jacobs, Mr. Cooper and Mr. Harik, and settled in February 2020, was certified by the Committee as earned, given that the associated goal of \$6.39 in adjusted cash flow per share for 2019 was achieved. This represented the final payment from the February 2016 phantom stock award and no tranches remain outstanding as of the Record Date. Ms. Glickman was not employed by XPO in 2016 and, as a result, did not receive this award.

2 August 2018 High-Growth Incentive Award: Cliff 2019-2022 PSUs

In August 2018, the Committee granted high-growth PSUs with cliff vesting to each of our NEOs, excepting Ms. Glickman*. The Committee's decision was made at a time when XPO's stock price had exceeded \$100 for the first time in its history, marking an important milestone in the company's growth prospects. This achievement converged with other factors considered by the Committee: namely, the upcoming lapse in lock-up restrictions in September 2018; and the fact that an aggregate 72% of stockholdings for Mr. Jacobs, Mr. Cooper and Mr. Harik had already vested. The Committee determined that the grant of a high-growth PSU award at this opportune time would galvanize greater profit growth and total stockholder return, and retain Mr. Jacobs, Mr. Cooper and Mr. Harik through a longer performance period. While the operational performance metric chosen for the 2018 award (adjusted cash flow per share) was the same as for the February 2016 award, the 2018 award reflects a higher underlying adjusted EBITDA target.

The August 2018 PSU award will vest if both of the following targets are met or exceeded:

- \$225 closing share price averaged over 20 consecutive trading days:** this represents an approximate 41% increase in share price per year over 2018-2022, compared with XPO's closing stock price on December 31, 2018.
- \$14.00 annualized adjusted cash flow per share:** this requires a 20% compounded annual growth rate in adjusted EBITDA over 2018-2022, representing more than 120% growth for the period in adjusted cash flow per share based on 2018 forecast.

If earned, the August 2018 PSU award will settle in shares in the first quarter of 2023, upon certification of performance achievement by the Committee.

* In recognition of Ms. Glickman assuming the role of acting chief financial officer, the company granted her a performance-based restricted stock unit award on August 9, 2018. This award has a performance goal requiring achievement of a closing stock price of \$200 per share over a period of 20 consecutive trading days prior to August 2023, with a minimum three-year service condition.

3 June 2019 High-Growth Incentive Award: Cliff 2019-2024 PSUs

In June 2019, the Committee granted a high-growth PSU award with cliff vesting to each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman, based on the following premises:

- During the first five months of 2019, our NEOs navigated the company through a successful rebound from our largest customer substantially downsizing its business portfolio with XPO starting in the first quarter of 2019, as well as a short-seller report that impacted the company's stock price in late 2018.

- The Committee, during its regular review of NEOs' XPO stockholdings, noted that the August 2018 PSUs were awarded at a time when the stock price was over \$100, and prior to our largest customer substantially downsizing its business portfolio with XPO starting in the first quarter of 2019; it was recognized that these exogenous factors reshaped the financial forecast for the company. Consequently, the June 2019 PSU award was intended to ensure that our NEOs were incentivized to develop initiatives that would lead the company through a sustained recovery effort. It was also responsive to stockholder feedback that the goals for the August 2018 PSU award could lack meaning, due to the decline in the stock price since the award was granted and the change in the financial forecast from an organic growth perspective
- Additionally, the Committee took into consideration feedback from our stockholders that a relative metric should be introduced into the design of our performance stock units. Consequently, the Committee included a relative TSR target that must be achieved, alongside an operational adjusted EPS goal, in order for the June 2019 PSU award to be earned.
- The Committee selected these metrics to balance our NEOs' focus on continuous profit improvement and stockholder value creation over the long-term, and chose a performance period that extends beyond the period covered by the August 2018 PSU award, with distinct operational and market-related metrics. This provides our NEOs with a well-rounded mix of targets that, if achieved, materially benefit our stockholders.

The June 2019 PSU award will vest if both of the following targets are achieved:

1. **Exceed the S&P Transportation Select Industry Index ("Index") TSR by at least 34%:** this requires a compound annual growth rate ("CAGR") of 500 basis points over 2019-2024, relative to the Index.
2. **\$9.08 adjusted earnings per share:** this requires a 19% CAGR over 2019-2024, compared to the starting point of 2018 adjusted earnings per share of \$3.19. The adjusted earnings per share performance condition is based on more subdued growth expectations for adjusted EBITDA, making the award potentially more attainable while continuing to provide a stretch goal over the performance period.

If earned, the June 2019 PSU award will settle in shares in the first quarter of 2025, upon certification of performance achievement by the Committee.

Additional information regarding the grant date value of each NEO's June 2019 PSU award can be found in the Grants of Plan-Based Awards table following this Compensation Discussion and Analysis.

LTI Performance Metrics

The following table details each of the performance metrics underpinning our long-term incentives, and the significance of these metrics in driving high-growth performance.

Adjusted Cash Flow Per Share <i>February 2016 Phantom Stock Award</i> <i>August 2018 High-Growth PSU Award</i>	<ul style="list-style-type: none">■ Calculated as: (i) adjusted EBITDA (determined in accordance with the company's monthly operating reports and for external reporting purposes, and adjusted for the impact of stock and phantom stock compensation) less any capital expenditures and net interest expense divided by (ii) diluted shares outstanding.■ Measures the company's strategy of driving efficient capital allocation and prudent investments in compelling growth opportunities; intended to represent organic EBITDA growth over an extended period of time.■ In computing this metric, the subtraction of capital expenditures from adjusted EBITDA eliminates the possibility of artificially or temporarily inflating adjusted EBITDA by increasing capital investments.■ This metric is also responsive to acquisitions and divestitures: an acquisition would be expected to increase adjusted EBITDA and either increase interest expense or increase share count, thereby offsetting the benefit of inorganic growth. With a divestiture, adjusted EBITDA and interest expense would be expected to decline in tandem, offsetting each other.■ In a stock-buyback scenario, share count would decrease but interest expense would likely rise, thereby lowering the adjusted cash flow per share calculation and creating a reasonable offset.
\$225 Share Price <i>August 2018 High-Growth PSU Award</i>	<ul style="list-style-type: none">■ Focuses our NEOs on achieving and reaching for higher levels of total stockholder return.■ Calculated as the closing share price averaged over a period of 20 consecutive trading days.
Adjusted EPS <i>June 2019 High-Growth PSU Award</i>	<ul style="list-style-type: none">■ Calculated as net income attributable to common stockholders, adjusted for the impact of certain costs and gains that management has determined are not reflective of our core operating activities, as governed by the company's internal policies and reported externally in the company's press release.■ Focuses our NEOs on the company's continuous profit improvement.■ In a stock buyback scenario, share count would decrease, raising the adjusted EPS calculation, but interest expense would likely rise, thereby lowering the adjusted EPS calculation and creating a reasonable offset.
Relative TSR <i>June 2019 High-Growth PSU Award</i>	<ul style="list-style-type: none">■ Measures stockholder value creation in relation to our benchmark group.■ The beginning point for TSR determination (both XPO's and S&P Transportation Select Industry Index) is based on an average of the closing prices during the 20 trading days preceding the first day of the performance period. The ending point will be based on an average of the closing prices during the 20 trading days ending on the last day of the performance period.

SUMMARY OF AWARD FEATURES AND TIMELINE

KEY FEATURES: AUGUST 2018 AND JUNE 2019 PSU AWARDS

1	<ul style="list-style-type: none"> ▪ Dual measures are intended to create a balanced incentive that encourages sustainable, long-term operational performance, while requiring the market to ascribe that value to the company's stock price. As designed, these awards do not provide an incentive to push the company's stock price higher in the near-term at the expense of results in the future.
2	<ul style="list-style-type: none"> ▪ Staggered cliff vesting in 2023 and 2025 is a risk-mitigator and ensures executives are focused on the long-term. No possible vesting events in 2019, 2020, 2021, 2022 or 2024.
3	<ul style="list-style-type: none"> ▪ There is no upside leverage if a target is exceeded in any given year; the maximum achievement is the target itself (100%).
4	<ul style="list-style-type: none"> ▪ Payouts are tied directly to stock price performance in direct alignment with stockholder interests. If our stock price increases from grant date to settlement date, the award will pay out at a higher amount. Conversely, if the stock price declines in that same period, the award will decline in value at the same rate as the stock price.
5	<ul style="list-style-type: none"> ▪ High-growth targets reflect management's and the Committee's confidence that the company is well-positioned to achieve continued growth.
6	<ul style="list-style-type: none"> ▪ Awards are subject to clawback, both during the vesting period and after payout based on the circumstances specified by the terms of the awards.

TIMELINE AND PERFORMANCE GOALS FOR OUTSTANDING AWARDS AS OF DECEMBER 31, 2019

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2016 PSU	Corporate strategic goal Annual adjusted cash flow per share by December 31 of each year: 2016, 2017, 2018 and 2019									
	\$2.93	★ \$3.96	★ \$5.38	★ \$6.39						
2019-2022 PSU (Granted August 2018)					Alignment with stockholders \$225 closing share price averaged over 20 consecutive trading days by 12/31/22			★		
					Corporate strategic goal \$14.00 adjusted cash flow per share by 12/31/22					
2019-2024 PSU (Granted June 2019)					Alignment with stockholders Exceed S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by 12/31/24					★
					Corporate strategic goal \$9.08 adjusted earnings per share (CAGR of 19%) by 12/31/24					

★ If earned, PSUs are certified and paid/settled in the first quarter of the following year. As of December 31, 2019, the 2016, 2017 and 2018 tranches of the 2016 PSU have been earned. As of February 19, 2020, the fourth and final tranche, related to 2019 performance, has also been earned.

OTHER COMPENSATION-RELATED ITEMS

Equity Granting Policy

All equity awards to NEOs are approved by the Committee with a grant date determined at the time of the approval. The Committee does not target a specific time during the year to make equity grants, but grant dates are always on or after the date of Committee approval. The Committee believes that, as a complement to its annual decision-making process, forward-looking stockholder-aligned awards can and should be granted to executives at any point within the year when incentives would galvanize overall performance of the company to benefit our stockholders.

Benefits

Our NEOs are provided with the same benefits as are generally offered to other eligible employees, including participation in the XPO Logistics, Inc. 401(k) Plan and insurance benefit programs. Our NEOs receive minimal perquisites, as shown in the All Other Compensation table following this Compensation Discussion and Analysis.

Employment Agreements

We believe that it is in the best interests of our company to enter into multi-year employment agreements with our NEOs, as the agreements promote long-term retention while allowing the Committee to exercise discretion in designing incentive compensation programs. The material compensation-related terms of these agreements are described under the heading "Employment Agreements with NEOs" and the tables that follow this Compensation Discussion and Analysis.

Effective February 9, 2016, the company entered into new employment agreements with Mr. Jacobs, Mr. Cooper and Mr. Harik. Each of these 2016 employment agreements had a term through February 9, 2020 and expired at the end of the term without automatic renewal. The 2016 employment agreements contained comprehensive restrictive covenants that are described under

the heading “Restrictive Covenants”, which survived the expiration of the employment agreements and continue to apply. The company also entered into an employment agreement on similar terms with Mr. Wagers and Ms. Glickman in connection with his hire and her appointment to her former role as acting chief financial officer.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986 as amended (the “Code”) disallows a federal income tax deduction to public companies for compensation greater than \$1 million paid in any tax year to covered executive officers. Under prior law, there was an exception to the \$1 million deduction limitation for compensation that met the requirements of “qualified performance-based compensation.” However, for tax years after 2017, this exception has been eliminated, subject to limited transition relief that applies to certain arrangements in place as of November 2, 2017, and the executives covered by Section 162(m) has been expanded. Accordingly, no assurance can be given that awards paid in 2018 and later years that were originally intended to qualify for the “qualified performance-based compensation” exemption, or that were otherwise expected to be deductible prior to the recent tax legislation, will in fact be deductible.

As a general matter, while tax deductibility is one of several relevant factors considered by the Committee in determining compensation, we believe that the tax deduction limitation imposed by Section 162(m) should not compromise the company’s access to compensation arrangements that will attract and retain a high level of executive talent. Accordingly, the Committee and our Board will take into consideration a multitude of factors in making executive compensation decisions and may approve executive compensation that is not tax deductible.

Risk Assessment of Incentive Compensation Programs

In partnership with a third-party compensation advisory group, the company performed an annual assessment for the Committee to determine whether there are material risks that could arise from our fiscal year 2019 compensation plans and programs. This assessment included a review of material elements of executive and non-executive compensation plans. Following this assessment, the Committee concluded that the company’s compensation plans and programs are not reasonably likely to have a material adverse effect on the company. Specific to our executive officer compensation structures, the assessment highlighted the following important elements that support sound governance in our programs:

- The gating threshold to earn short-term incentive amounts, coupled with a cap on the total amount of short-term incentives that can be earned, with the Committee acting as the arbiter of final payout amounts, limits excessive levels of pay, or pay that is not aligned with acceptable financial performance.
- The higher proportion of long-term, variable pay reduces the likelihood of risk-taking behavior and is balanced by full-company performance metrics.
- Long-term incentives use metrics that undergo a rigorous goal setting process, are linked to strategic company goals, do not have upside potential and have longer performance periods.

Our clawback policy, stock ownership guidelines and anti-hedging and pledging policies also serve to mitigate compensation risk.

COMPENSATION COMMITTEE REPORT

The following statement made by the Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Committee reviewed the Compensation Discussion and Analysis with management as required by Item 402(b) of Regulation S-K, as set forth above. Based on this review and the resulting discussions with management, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

COMPENSATION COMMITTEE:

Jason D. Papastavrou, chairman (since April 17, 2020)

Adrian P. Kingshott, chairman (until April 17, 2020)

Marlene M. Colucci, member (since March 13, 2019)

Michael G. Jesselson, member

COMPENSATION TABLES

Summary Compensation Table

The following table sets forth information concerning the total compensation awarded to, earned by, or paid to our NEOs for the year ended December 31, 2019.

Name and Principal Position	Year	Salary (\$)	Bonus ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation ⁽³⁾ (\$)	Total (\$)
Bradley S. Jacobs ⁽⁴⁾ Chairman and Chief Executive Officer	2019	\$838,462	—	\$7,007,415 ⁽⁵⁾	—	—	\$12,460	\$7,858,337
	2018	\$625,000	—	\$12,690,463 ⁽⁶⁾	—	—	\$12,008	\$13,327,471
	2017	\$625,000	—	—	—	\$750,000	\$9,021	\$1,384,021
Troy A. Cooper President	2019	\$601,539	—	\$3,751,031 ⁽⁵⁾	—	—	\$12,460	\$4,365,030
	2018	\$537,500	—	\$2,460,008 ⁽⁶⁾	—	—	\$12,008	\$3,009,516
	2017	\$537,500	—	—	—	\$645,000	\$9,021	\$1,191,521
Mario A. Harik Chief Information Officer	2019	\$467,692	—	\$1,648,799 ⁽⁵⁾	—	—	\$12,271	\$2,128,762
	2018	\$425,000	\$276,300	\$1,230,004 ⁽⁶⁾	—	—	\$11,857	\$1,943,161
	2017	\$425,000	—	—	—	\$490,000	\$9,021	\$924,021
Sarah J.S. Glickman ⁽⁷⁾ Former Acting Chief Financial Officer	2019	\$425,000	—	\$537,660 ⁽⁵⁾	—	—	\$17,274	\$979,934
	2018	\$246,827	\$207,200	\$3,528,923	—	—	\$79,369 ⁽⁸⁾	\$4,062,319
Kenneth R. Wagers III Former Chief Operating Officer and Interim President, LTL—North America	2019	\$102,981	\$285,000	—	—	—	\$279,235	\$667,216
	2018	\$363,462	—	\$10,922,100 ⁽⁹⁾	—	—	\$756	\$11,286,318

⁽¹⁾ The amounts reflected in this column for 2018 represent an annual cash bonus award earned in respect of 2018 for Mr. Harik and Ms. Glickman. The amount reflected in this column for 2019 represents a cash sign-on bonus as specified in Mr. Wagers' employment agreement, paid on March 2, 2019.

⁽²⁾ The amounts reflected in this column represent the aggregate grant date fair value of the awards made during each respective year, as computed in accordance with FASB ASC Topic 718. For additional information related to the measurement of stock-based compensation awards, see Note 15 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

⁽³⁾ The components of "All Other Compensation" for 2019 are detailed below in the "All Other Compensation" table.

⁽⁴⁾ Mr. Jacobs did not receive any additional compensation for his service as a director.

⁽⁵⁾ In June 2019, the Committee awarded Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman PRSUs that require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.00 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants. The amount for Ms. Glickman also includes an equity award of 1,900 time-based RSUs earned in respect of 2018 granted on April 18, 2019.

⁽⁶⁾ In August 2018, the Committee awarded Mr. Jacobs, Mr. Cooper and Mr. Harik PRSUs that require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

⁽⁷⁾ Effective March 2, 2020, Ms. Glickman stepped down as acting chief financial officer to assume the role of senior vice president, corporate finance and transformation.

⁽⁸⁾ The "All Other Compensation" amount for Ms. Glickman has been updated to include: (i) an additional tax gross-up of \$1,845 provided to Ms. Glickman in respect of the relocation benefit she received in 2018 and (ii) an additional relocation benefit of \$4,078 provided to Ms. Glickman.

⁽⁹⁾ Effective March 11, 2019, the company terminated Mr. Wagers' employment, without cause. As a result of his termination without cause, Mr. Wagers received 9,292 RSUs, reflecting a pro-rated portion of the award granted on April 23, 2018.

We compensate our NEOs pursuant to the terms of their respective employment agreements and the information reported in the Summary Compensation Table reflects the terms of such agreements. For more information about our NEOs' employment agreements, see the discussion in this proxy statement under the heading "Employment Agreements with NEOs."

All Other Compensation Table

The following table sets forth the amounts included in the “All Other Compensation” column in the “Summary Compensation” table for our NEOs in 2019.

Name	Matching Contributions to 401(k) Plan ⁽¹⁾ (\$)	Company-Paid Life Insurance Premiums ⁽²⁾ (\$)	Perquisites and Other Personal Benefits (\$)	Relocation ⁽³⁾ (\$)	Payout of Paid Time Off ⁽⁴⁾ (\$)	Severance ⁽⁵⁾ (\$)	Continuation of Medical / Dental Benefits (\$)	Total (\$)
Bradley S. Jacobs	\$11,200	\$1,260	–	–	–	–	–	\$12,460
Troy A. Cooper	\$11,200	\$1,260	–	–	–	–	–	\$12,460
Mario A. Harik	\$11,200	\$1,071	–	–	–	–	–	\$12,271
Sarah J.S. Glickman	\$11,200	\$1,074	–	\$5,000	–	–	–	\$17,274
Kenneth R. Wagers III	–	\$315	–	–	\$6,431	\$262,500	\$9,989	\$279,235

⁽¹⁾ Amounts in this column represent matching contributions made by XPO to the company’s 401(k) plan. Only amounts contributed directly by our NEOs are eligible for matching contributions, and our NEOs are eligible for matching contributions on the same basis as all other eligible employees of our company.

⁽²⁾ Amounts in this column include the company-paid premiums for basic life insurance.

⁽³⁾ Amounts in this column reflect relocation benefits provided by the company to Ms. Glickman in connection with her commencement of employment in 2018.

⁽⁴⁾ Amounts in this column reflect a payout of paid time off provided to Mr. Wagers in connection with his termination of employment with the company.

⁽⁵⁾ Amounts in this column reflect a payout of severance provided to Mr. Wagers in connection with his termination of employment with the company.

Grants of Plan-Based Awards

The following table sets forth additional details regarding grants of equity and non-equity plan-based awards.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards ⁽¹⁾			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Share)	Grant Date Fair Value of Stock and Option Awards ⁽²⁾
		Threshold (#)	Target (#)	Maximum (#)				
Bradley S. Jacobs	6/5/2019	–	472,835	–	–	–	–	\$7,007,415
Troy A. Cooper	6/5/2019	–	253,106	–	–	–	–	\$3,751,031
Mario A. Harik	6/5/2019	–	111,255	–	–	–	–	\$1,648,799
Sarah J.S. Glickman	4/18/2019	–	–	–	1,900	–	–	\$125,457
	6/5/2019	–	27,814	–	–	–	–	\$412,203
Kenneth R. Wagers III	n/a	–	–	–	–	–	–	–

⁽¹⁾ In June 2019, the Committee awarded Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman PRSUs that require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.08 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024. Both goals must be attained for the award to be earned; there is no threshold level of payment for below target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance based equity grants. The amount for Ms. Glickman also includes an RSU award earned in respect of 2018 granted on April 18, 2019.

⁽²⁾ Amounts in this column reflect the grant date fair value of awards calculated in accordance with FASB ASC Topic 718, using the valuation methodology set forth in Note 15 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Additional information relevant to the awards shown in the above table (including a discussion of the applicable performance criteria and the actual payouts under such awards) is included under the heading “Outstanding Equity Awards as of December 31, 2019”.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity awards held by our NEOs as of December 31, 2019.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽¹⁾	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽¹⁾
Bradley S. Jacobs	250,000	—	—	\$9.28	11/21/2021	218,150 ⁽²⁾	\$17,386,555 ⁽²⁾	710,930 ⁽³⁾	\$56,661,121
Troy A. Cooper	25,000	—	—	\$11.46	01/16/2022	49,084 ⁽⁴⁾	\$3,911,995 ⁽⁴⁾	299,260 ⁽⁵⁾	\$23,851,022
Mario A. Harik	135,000	—	—	\$9.79	11/14/2021	35,450 ⁽⁶⁾	\$2,825,365 ⁽⁶⁾	134,332 ⁽⁷⁾	\$10,706,260
Sarah J.S. Glickman	—	—	—	—	—	16,108 ⁽⁶⁾	\$1,283,808 ⁽⁸⁾	51,574 ⁽⁹⁾	\$4,110,448
Kenneth R. Wagers III	—	—	—	—	—	—	—	—	—

Note: Vesting of all outstanding equity awards is subject to continued employment by the NEO on the applicable vesting date, subject to certain exceptions in connection with a qualifying termination of employment.

⁽¹⁾ The values reflected in this column were calculated using \$79.70, the closing price of a company share on the NYSE on December 31, 2019, the last trading day of our fiscal year 2019.

⁽²⁾ Consists of 218,150 cash-settled PRSUs which vested on February 9, 2020, upon Committee certification of the achievement of the applicable performance criteria.

⁽³⁾ Consists of 238,095 PRSUs which vest on December 31, 2022, and 472,835 PRSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022.

b. The PRSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.08 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024.

⁽⁴⁾ Consists of 49,084 cash-settled PRSUs which vested on February 9, 2020, upon Committee certification of the achievement of the applicable performance criteria.

⁽⁵⁾ Consists of 46,154 PRSUs which vest on December 31, 2022, and 253,106 PRSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022.

b. The PRSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.08 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024.

⁽⁶⁾ Consists of 35,450 cash-settled PRSUs which vested on February 9, 2020, upon Committee certification of the achievement of the applicable performance criteria.

⁽⁷⁾ Consists of 23,077 PRSUs which vest on December 31, 2022, and 111,255 PRSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. Both goals must be attained for the award to be earned; there is no threshold level of payment for below-target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance-based equity grants.

a. The PRSUs noted as vesting on December 31, 2022 require achievement of both a high-growth performance and stock price goal, and cannot be earned until after the four-year performance period ending December 31, 2022. The stretch goals underlying these PRSUs include: (i) achievement of an average stock price of \$225 over a 20-trading day period by December 31, 2022, and (ii) Adjusted Cash Flow Per Share (as defined in the relevant award agreements) of \$14.00 by December 31, 2022.

b. The PRSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.08 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024.

- (8) Consists of 14,208 RSUs which vest in five annual installments beginning on June 8, 2020 through June 8, 2024 and 1,900 RSUs which vest in two equal installments on April 18, 2021 and April 18, 2022.
- (9) Consists of 23,760 PRSUs which will vest on August 9, 2021, and 27,814 PRSUs which vest on December 31, 2024 subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level. There is no threshold level of payment for below target performance and no upside leverage for exceeding the targets, generally reflecting the same features included in previously awarded performance based equity grants.
- The PRSUs noted as vesting on August 9, 2021 require achievement of a closing stock price of \$200 per share over a period of 20 consecutive trading days prior to August 2023, with a minimum three year service condition.
 - The PRSUs noted as vesting on December 31, 2024 require achievement of both a high-growth performance and TSR goal, and cannot be earned until after the six-year performance period ending December 31, 2024. The stretch goals underlying these PRSUs include: (i) \$9.08 adjusted earnings per share (CAGR of 19%) by December 31, 2024, and (ii) exceed the S&P Transportation Select Industry Index TSR by at least 34% (CAGR of 500 basis points) by December 31, 2024. Both goals must be attained for the award to be earned.

Option Exercises and Stock Vested

The following table sets forth the options exercised and RSUs vested for our NEOs during 2019.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽¹⁾
Bradley S. Jacobs	–	–	165,555	\$9,045,925
Troy A. Cooper	–	–	37,250	\$2,035,340
Mario A. Harik	–	–	26,902	\$1,469,925
Sarah J.S. Glickman	–	–	2,842	\$152,843
Kenneth R. Wagers III	–	–	–	–

- ⁽¹⁾ The values reflected in this column were calculated by multiplying the number of shares that vested in 2019 by the closing price of one share of XPO common stock on the NYSE on each applicable vesting or settlement date. In the case of the cash-settled PRSUs which settled on February 19, 2019, the closing price of one share of XPO common stock on the NYSE was \$54.64.

Potential Payments Upon Termination or Change of Control

The following table sets forth the amounts of compensation that would be due to each of our NEOs pursuant to their respective employment agreements, as applicable, upon the termination events as summarized below, as if each such event had occurred on December 31, 2019. The amounts shown below are estimates of the payments that each NEO would receive in certain instances. The actual amounts payable will only be determined upon the actual occurrence of any such event.

	Bradley S. Jacobs	Troy A. Cooper	Mario A. Harik	Sarah J.S. Glickman	Kenneth R. Wagers III ⁽¹⁾
Termination without Cause:					
Cash severance ⁽²⁾⁽³⁾⁽⁴⁾	\$500,000	\$325,000	\$250,000	\$212,500	\$262,500
Acceleration of equity-based awards ⁽⁵⁾	\$26,544,723	\$7,772,025	\$4,459,454	\$1,405,031	\$463,206
Continuation of medical / dental benefits ⁽⁶⁾	\$7,624	\$7,624	\$10,487	\$10,643	\$9,989
Total	\$27,052,347	\$8,104,649	\$4,719,941	\$1,628,174	\$735,695
Voluntary Termination with Good Reason:					
Cash severance ⁽²⁾⁽⁴⁾	—	—	—	—	—
Acceleration of equity-based award	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	—	—	—	—	—
Termination for Cause or Voluntary Termination without Good Reason:					
Cash severance ⁽²⁾⁽⁴⁾	—	—	—	—	—
Acceleration of equity-based awards	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	—	—	—	—	—
Disability:					
Cash severance ⁽²⁾⁽⁴⁾	—	—	—	—	—
Acceleration of equity-based award	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	—	—	—	—	—
Death:					
Cash severance ⁽²⁾	—	—	—	—	—
Acceleration of equity-based awards ⁽⁵⁾	\$74,047,676	\$27,763,017	\$13,531,625	\$5,394,255	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	\$74,047,676	\$27,763,017	\$13,531,625	\$5,394,255	—
Change of Control and No Termination:					
Cash severance ⁽²⁾	—	—	—	—	—
Acceleration of equity-based awards ⁽⁵⁾	\$74,047,676	\$27,763,017	\$13,531,625	\$5,394,255	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	\$74,047,676	\$27,763,017	\$13,531,625	\$5,394,255	—
Change of Control and Termination without Cause or for Good Reason:					
Cash severance ⁽²⁾	\$6,000,000	\$3,900,000	\$2,250,000	\$1,700,000	—
Acceleration of equity-based awards ⁽⁵⁾	\$74,047,676	\$27,763,017	\$13,531,625	\$5,394,255	—
Continuation of medical / dental benefits ⁽⁶⁾	\$30,495	\$30,495	\$41,949	\$42,570	—
Total	\$80,078,171	\$31,693,512	\$15,823,574	\$7,136,825	—

(1) Effective March 11, 2019, the company terminated Mr. Wagers' employment, without cause. The values reflected in this column are the actual payments made in connection with his separation, pursuant to his employment agreement; the value reflected for the acceleration of equity-based awards is calculated using \$49.85, the closing price of a company share on the NYSE on March 11, 2019, the date of settlement.

(2) Amounts shown do not include any payments for accrued and unpaid salary, bonuses or vacation.

(3) In the event of a termination by our company without Cause, cash severance payable to each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman will be reduced, dollar for dollar, by other income earned by such NEO in accordance with the terms of their employment agreement. The calculations of severance pay in the above table use the NEO's base salary effective as of December 31, 2019.

(4) In the event of a termination for any reason, our company has the right to extend the period during which each of Mr. Jacobs, Mr. Cooper, Mr. Harik and Ms. Glickman is bound by the non-competition covenant in their employment agreement for up to 12 additional months, which would extend the non-compete period from two years to three years following termination. During the period the non-compete is extended, the NEO would be entitled to receive cash compensation equal to his or her monthly base salary as in effect on the date employment is terminated, reduced dollar for dollar by any other income earned at the time by the NEO. Fully extending the non-compete provision would increase the amounts shown as "Cash Severance" by up to \$1,000,000 for Mr. Jacobs, \$650,000 for Mr. Cooper, \$500,000 for Mr. Harik and \$425,000 for Ms. Glickman.

(5) The values reflected in this column were calculated using \$79.70, the closing price of a company share on the NYSE on December 31, 2019, the last trading day of our fiscal year 2019. The amounts shown for PRSUs have been estimated assuming that the applicable performance goals are met at target levels. Although the PRSUs would no longer be subject to a continued service requirement upon the occurrence of a termination by our company without Cause, payment of such award would remain subject to the actual achievement of the applicable performance goals. As of December 31, 2019, none of the NEOs had any unvested stock options.

(6) The amounts of continued medical and dental benefits shown in the table (i) have been calculated based upon our current actual costs of providing the benefits through COBRA and (ii) have not been discounted for the time value of money. In the event of a termination without Cause, continued medical and dental benefits would cease when the NEO commences employment with a new employer.

As of December 31, 2019, each NEO's employment agreement, which is described in detail in this Proxy Statement under the heading "Employment Agreements with NEOs," generally provided that, in the event of a termination without Cause (as defined below) either prior to a Change of Control (as defined below) or more than two years following a Change of Control, cash severance payments and continued benefits would be made ratably over the six-month period following the executive's termination (subject to any delays required pursuant to Section 409A of the Code). The employment agreements generally did not provide for payments other than accrued benefits if employment is terminated due to death or disability. Generally, in the event of a termination upon or within two years following a Change of Control, cash severance payments would be made in one lump sum (subject to any delays required pursuant to Section 409A of the Code). The severance payments set forth in the table are generally subject to and conditioned upon the NEO signing and not revoking a waiver and release and continued compliance with certain restrictive covenants.

For more information regarding the payments and benefits to which our NEOs are entitled upon certain termination events or upon a Change of Control, see the discussion in this Proxy Statement under the heading "Employment Agreements with NEOs."

CEO PAY RATIO DISCLOSURE

As required by Item 402(u) of the SEC's Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our CEO to that of our median employee. The pay ratio and annual total compensation amount disclosed in this section are reasonable estimates that have been calculated using methodologies and assumptions permitted by SEC rules.

Identifying the Median Employee

Although there was no change to XPO's employee population or compensation arrangements that the company believes would significantly impact the pay ratio disclosure, we reidentified our median employee due to a change in our 2018 median employee's circumstances in 2019. Our 2018 median employee received a salary increase as a result of his promotion to manager which the company believes would result in a significant change to the pay ratio disclosure. As permitted under the SEC executive compensation disclosure rules, we elected to run a full analysis to identify a new median employee. We selected December 31, 2019 as the date on which to determine our 2019 median employee.

As of December 31, 2019, we had 96,985 employees globally, including 44,750 US employees and 52,235 non-US employees. In determining the identity of our median employee, we excluded 911 employees from: China (431), Hong Kong (23), Ireland (174), and Singapore (283). After excluding the countries and employees described above, we determined the identity of our median employee from a population of 96,074 employees (44,750 US employees and 51,324 non-US-employees); this employee group included full-time, part-time and seasonal employees.

The median employee was identified by calculating the 2019 cash compensation for the population of 96,074 employees excluding the CEO. For this purpose, cash compensation included all earnings paid to each employee during the calendar year, including base salary and wages, bonuses, commissions, overtime and holiday or PTO pay. Compensation was converted into US dollars using currency conversion rates as of December 31, 2019.

Annual Compensation of Median Employee Using Summary Compensation Table Methodology

After identifying the median employee as described above, we calculated annual total compensation for this employee using the same methodology we use for our CEO in the 2019 Summary Compensation Table. This compensation calculation includes, where applicable, base salary and wages, bonuses, commissions, overtime, holiday or PTO pay, equity awards, 401(k) company match and company-paid life insurance premiums, as applicable. The compensation for our median employee was \$33,162 and the compensation for our company's CEO was \$7,858,337.

2019 Pay Ratio

Based on the above information, the ratio of the annual total compensation of our CEO to the median employee is 237:1. The pay ratio reported by other companies may not be comparable to the pay ratio reported above, due to variances in business mix, proportion of seasonal and part-time employees and distribution of employees across geographies. In comparison to peer firms, XPO has a unique business mix with approximately 50% of our employee population working in our supply chain business; in addition, XPO operates globally with approximately 50% of our population located outside of the United States. We seek to attract, incentivize and retain our employees through a combination of competitive base pay, bonus opportunities, 401(k) contributions, the opportunity to participate in our employee stock purchase plan and other benefits.

EMPLOYMENT AGREEMENTS WITH NEOS

EMPLOYMENT AGREEMENTS WITH MR. JACOBS, MR. COOPER, MR. HARIK AND MS. GLICKMAN

Effective as of February 9, 2016, we entered into employment agreements with Mr. Jacobs, Mr. Cooper and Mr. Harik (the "2016 Employment Agreements"). The primary purposes of the 2016 Employment Agreements were to: (i) incentivize

Mr. Jacobs, Mr. Cooper and Mr. Harik to be aligned with our corporate goals and stockholders' interests, (ii) provide financial incentives for Mr. Jacobs, Mr. Cooper and Mr. Harik to increase stockholder value and focus on the integration of recent acquisitions, and (iii) strengthen the connection between pay and performance in our executive compensation program. On June 5, 2019, the company also entered into an employment agreement on similar terms with Ms. Glickman in connection with her appointment to her former role as acting chief financial officer (the "Glickman Agreement").

Term

Each 2016 Employment Agreement provides for the applicable NEO's employment from the effective date of February 9, 2016, until February 9, 2020. The 2016 Employment Agreements expired on February 9, 2020 without automatic renewal. The Glickman Agreement provides for Ms. Glickman's employment from the effective date of June 9, 2019 until June 9, 2023.

Lock-up Restrictions

Pursuant to the 2016 Employment Agreements, any shares of our common stock issued to the applicable NEO upon exercise or vesting of any equity compensation award (whether before, on or after the date of the 2016 Employment Agreement) was subject to a lock-up until September 2, 2018, which lock up was extended until September 2, 2020 (or, if earlier, the applicable NEO's death or a Change of Control) pursuant to a PRSU award granted to the applicable NEO on August 16, 2018. The Glickman Agreement does not include lock-up restrictions.

Benefits and Business Expense Reimbursement

Under the 2016 Employment Agreements and the Glickman Agreement, each applicable NEO is eligible to participate in those benefit plans and programs that are generally available to other members of our senior executive team and is eligible for reimbursement of all reasonable and necessary business expenses incurred in the performance of duties during the term of the 2016 Employment Agreement and the Glickman Agreement, respectively.

Termination Events

The severance payments pursuant to the 2016 Employment Agreements and the Glickman Agreement described below are generally subject to and conditioned upon the applicable NEO signing and not revoking a waiver and general release and also complying with the restrictive covenants contained in his 2016 Employment Agreement or the Glickman Agreement (as described below).

In the event that the applicable NEO dies during the term of the 2016 Employment Agreement or the Glickman Agreement, respectively, or if we terminate the applicable NEO's employment without Cause, either prior to a Change of Control or more than two years following a Change of Control, such NEO will be entitled to:

- Accrued and unpaid salary, vacation benefits and unreimbursed business expenses;
- Solely in the case of a termination by the company without Cause: six months' base salary, at the level in effect on the date of termination, which will be paid in equal installments over the six months following the date of termination (subject to any delay required by Section 409A of the Code), and which generally will be reduced, dollar-for-dollar, by other earned income, plus any annual bonus that the company has notified the employee in writing that the employee has earned prior to the date of termination, but is unpaid as of the date of termination; and
- Solely in the case of a termination by the company without Cause: medical and dental coverage for a period of six months from the date of termination, or, if earlier, until the applicable NEO secures other employment.

The 2016 Employment Agreements and the Glickman Agreement do not provide for accelerated vesting of equity, equity-based or other long term incentive compensation awards other than as set forth in the applicable award agreements.

Definitions of Cause and Good Reason

"Cause," for the purpose of the 2016 Employment Agreements and the Glickman Agreement, generally means the applicable NEO's:

- Gross negligence or willful failure to perform his or her duties;
- Abuse or dependency on alcohol or drugs that adversely affects the NEO's performance of duties;
- Commission of any fraud, embezzlement, theft or dishonesty, or any deliberate misappropriation of money or other assets of our company;
- Breach of any term of the NEO's 2016 Employment Agreement or the Glickman Agreement, as applicable, or any agreement governing any equity-based awards or breach of his or her fiduciary duties;
- Any willful act, or failure to act, in bad faith to the detriment of our company;

- Willful failure to cooperate in good faith with a governmental or internal investigation if such cooperation is requested;
- Failure to follow our company's code of conduct or ethics policies; and
- Conviction of, or plea of nolo contendere to, a felony or any serious crime;

provided that, in cases where cure is possible, the applicable NEO has a cure period of 15 days before he or she can be terminated for Cause.

The 2016 Employment Agreements and the Glickman Agreement allow the applicable NEO to terminate employment for Good Reason only upon or during the two-year period following a Change of Control. "Good Reason," for purposes of the 2016 Employment Agreements and the Glickman Agreement, generally means, without first obtaining the NEO's written consent:

- Our material breach of the terms of the NEO's 2016 Employment Agreement or a reduction in base salary or target bonus;
- Our material diminishment of the NEO's title, duties, authorities, reporting relationships, responsibilities or position;
- Our requirement that the NEO be based in a location that is more than 50 miles from his or her initial work location immediately prior to the Change of Control; or
- With regard to Mr. Jacobs, our requirement that he no longer reports directly to the Board; and with regard to Mr. Cooper and Mr. Harik, our requirement that he reports to someone other than the chief executive officer.

In each case, the applicable NEO's Good Reason right is subject to our company's 30-day cure period.

Change of Control

In the event that, upon or within two years following a Change of Control, the applicable NEO's employment is terminated by our company without Cause or such NEO resigns for Good Reason, he or she will receive:

- Accrued and unpaid salary, vacation benefits and unreimbursed business expenses;
- A lump-sum cash payment equal to two times the sum of his or her annual base salary and target annual bonus each at the level in effect on the date of termination (subject to any delay required by Section 409A of the Code);
- A prorated target bonus for the year of termination; and
- Medical and dental coverage for a period of 24 months from the date of termination.

In the event that any amounts payable to the applicable NEO in connection with a Change of Control constitute "parachute payments" within the meaning of Section 280G of the Code, then any such amounts will be reduced to avoid triggering the excise tax imposed by Section 4999 of the Code, if it would be more favorable to the NEO on a net after-tax basis. No NEO is entitled to a gross-up payment for excise taxes imposed by Section 4999 of the Code on "excess parachute payments," as defined in Section 280G of the Code.

Clawbacks

Under the 2016 Employment Agreements and the Glickman Agreement, the applicable NEO is subject to equity and annual bonus clawback provisions in the event of: (1) a breach of the restrictive covenants, (2) termination of his or her employment by our company for Cause, or (3) his or her engagement in fraud or willful misconduct that contributes materially to any financial restatement or material loss to our company or its affiliates. If any such event occurs, we generally may terminate or cancel any awards granted to such NEO by our company (whether vested or unvested), and require him or her to forfeit or remit to our company any amount payable (or the net after-tax amount paid or received by such NEO) in respect of any such awards. Furthermore, under the 2016 Employment Agreements and the Glickman Agreement, in the event that the applicable NEO engages in fraud or other willful misconduct that contributes materially to any financial restatement or material loss to our company, our company may generally require such NEO to repay any annual bonus (net of any taxes paid by him or her) previously paid to him or her, cancel any earned but unpaid annual bonus or adjust any future compensation such that he or she will only retain the amount that would have been payable to him or her after giving effect to the financial restatement or material loss. In addition, in the event that the applicable NEO breaches any restrictive covenant, such NEO will be required, upon written notice from us, to forfeit or repay to our company his or her severance payments. In certain circumstances, the breach or fraudulent conduct must have occurred within a certain period in order for us to be able to clawback the equity-based awards, annual bonus or severance payments. In addition, the NEO shall be subject to any other clawback or recoupment policy of the company as may be in effect from time to time or any clawback or recoupment as may be required by applicable law.

Restrictive Covenants

Under the 2016 Employment Agreements and the Glickman Agreement, the applicable NEO is generally subject to the following restrictive covenants: employee and customer non-solicitation during employment and for a period of three years

thereafter; confidentiality and non-disparagement during employment and thereafter; and non-competition during employment and for a period of two years following termination for any reason. In addition, we have the option to extend the non-competition period for up to an additional year following a termination for any reason, provided that we continue to pay the applicable NEO's base salary as in effect on the date of termination during the extended non-competition period.

Employment Agreement with Mr. Wagers

Prior to his termination from the company on March 11, 2019, the company entered into an employment agreement with Mr. Wagers on similar terms to those described above. Under the terms of his employment agreement, as a result of his termination without cause, Mr. Wagers received: (i) a cash severance payment of \$262,500, (ii) medical and dental coverage for a period of up to six months, and (iii) the sign-on bonus of \$285,000 specified in his employment agreement with the Company.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2019, with respect to the company's compensation plans under which equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights⁽¹⁾ (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	3,889,436 ⁽²⁾	\$12.29	3,688,606 ⁽³⁾
Equity compensation plans not approved by security holders	—	—	—
Total	3,889,436	\$12.29	3,688,606

⁽¹⁾ The weighted average exercise price is based solely on the outstanding options.

⁽²⁾ Includes 574,755 stock options outstanding under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan and 1,000 stock options outstanding under the Segmentz, Inc. 2001 Stock Option Plan. Also includes an aggregate of 3,175,279 RSUs and PRSUs granted under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, 137,566 RSUs and PRSUs granted under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan and 836 RSUs and PRSUs granted under the Con-way Inc. 2012 Equity and Incentive Plan.

⁽³⁾ Includes 1,814,619 securities available for issuance under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan and 1,873,987 securities available for issuance under the XPO Logistics, Inc. Employee Stock Purchase Plan.

AUDIT-RELATED MATTERS

REPORT OF THE AUDIT COMMITTEE

The following statement made by our Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Audit Committee (“we” in this Report of the Audit Committee) currently consists of Mr. Shaffer (chairman), Ms. Ashe, Mr. Jesselson and Dr. Papastavrou.

The Board of Directors has determined that each current member of the Audit Committee has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of NYSE, our Audit Committee charter, and the independence standards set forth in the XPO Logistics, Inc. Corporate Governance Guidelines. The Board of Directors has also determined that Mr. Shaffer and Dr. Papastavrou each qualify as an “audit committee financial expert” as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act. As more fully described below, in carrying out its responsibilities, the Audit Committee relies on management and XPO’s independent registered public accounting firm (the “outside auditors”). The Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee operates under a written charter that is reviewed annually and is available at www.xpo.com.

In accordance with our charter, the Audit Committee assists the Board of Directors in fulfilling its responsibilities in a number of areas. These responsibilities include, among others, oversight of: (i) XPO’s accounting and financial reporting processes, including XPO’s systems of internal controls over financial reporting and disclosure controls, (ii) the integrity of XPO’s financial statements, (iii) XPO’s compliance with legal and regulatory requirements, (iv) the qualifications and independence of XPO’s outside auditors, and (v) the performance of XPO’s outside auditors and internal audit function. Management is responsible for XPO’s financial statements and the financial reporting process, including the system of internal control over financial reporting. We are solely responsible for selecting and reviewing the performance of XPO’s outside auditors and, if we deem appropriate in our sole discretion, terminating and replacing the outside auditors. We also are responsible for reviewing and approving the terms of the annual engagement of XPO’s outside auditors, including the scope of audit and non-audit services to be provided by the outside auditors and the fees to be paid for such services, and discussing with the outside auditors any relationships or services that may impact the objectivity and independence of the outside auditors.

In fulfilling our oversight role, we met and held discussions, both together and separately, with the company’s management and KPMG. Management advised us that the company’s consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and KPMG, both together and separately, in advance of the public release of operating results and filing of annual and quarterly reports with the SEC. We discussed with KPMG the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board Auditing (“PCAOB”) and the Commission, and reviewed a letter from KPMG disclosing such matters.

KPMG also provided us with the written disclosures and letter required by applicable requirements of the PCAOB regarding the outside auditors’ communications with the Audit Committee concerning independence, and we discussed with KPMG matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. KPMG has confirmed its independence, and we determined that KPMG’s provision of non-audit services to XPO is compatible with maintaining its independence. We also reviewed a report by KPMG describing the firm’s internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the PCAOB.

Based on our review of XPO’s audited consolidated financial statements with management and KPMG, and KPMG’s report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements be included in XPO’s Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC.

AUDIT COMMITTEE:

Oren G. Shaffer (committee chairman)

Gena L. Ashe (member since March 13, 2019)

Michael G. Jesselson (member since March 13, 2019)

Adrian P. Kingshott (member until March 13, 2019)

Jason D. Papastavrou

POLICY REGARDING PRE-APPROVAL OF SERVICES PROVIDED BY THE OUTSIDE AUDITORS

The Audit Committee's charter requires review and pre-approval by the Audit Committee of all audit services provided by our outside auditors and, subject to the *de minimis* exception under applicable SEC rules, all permissible non-audit services provided by our outside auditors. The Audit Committee has delegated to its chairman the authority to approve, within guidelines and limits established by the Audit Committee, specific services to be provided by our outside auditors and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, the Audit Committee pre-approved all audit and non-audit services provided by our outside auditors during 2019 and 2018, and the fees paid for such services.

SERVICES PROVIDED BY THE OUTSIDE AUDITORS

As described above, the Audit Committee is responsible for the appointment, compensation, oversight, evaluation and termination of our outside auditors. Accordingly, the Audit Committee retained KPMG to serve as our independent registered public accounting firm for fiscal year 2020 on April 17, 2020.

The following table shows the fees for audit and other services provided by KPMG for fiscal years 2019 and 2018.

Fee Category	2019	2018
Audit Fees	\$5,315,000	\$5,100,000
Audit-Related Fees	753,500	1,300,000
Tax Fees	265,322	1,100,000
All Other Fees	—	—
Total Fees	\$6,333,822	\$7,500,000

Audit Fees. This category includes fees for professional services rendered by KPMG for 2019 and 2018, for the audits of our financial statements included in our Annual Report on Form 10-K, and reviews of the financial statements included in our Quarterly Reports on Form 10-Q.

Audit-Related Fees. The 2018 fees include comfort letters, accounting consultation related to new accounting standards, and other audit related services. The 2019 fees include comfort letters and other audit related services.

Tax Fees. This category includes fees billed for professional services rendered by KPMG in connection with tax consultation and tax compliance services in 2019 and 2018, respectively.

All Other Fees. This category represents fees for all other services or products provided and not covered by the categories above. There were no such fees for 2019 and 2018.

PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING

Proposal 1: Election of Directors

Our Board of Directors has nominated for election at the Annual Meeting each of the following persons to serve until the 2021 annual meeting of stockholders or until their successors are duly elected and qualified:

Bradley S. Jacobs
Gena L. Ashe
Marlene M. Colucci
AnnaMaria DeSalva
Michael G. Jesselson
Adrian P. Kingshott
Jason D. Papastavrou
Oren G. Shaffer

All of the nominees for directors listed above were elected by our stockholders at our 2019 annual meeting of stockholders. Information about the nominees is set forth above under the heading “Board of Directors and Corporate Governance—Directors.”

In the event that any of these nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies voting for his or her election will be voted for any nominee who shall be designated by the Board of Directors to fill the vacancy. As of the date of this Proxy Statement, we are not aware that any of the nominees is unable or will decline to serve as a director if elected.

REQUIRED VOTE

The election of each of the eight (8) director nominees named in this Proxy Statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” a nominee must exceed the number of shares voted “against” such nominee) by holders of shares of our common stock (including those that would be issued if all of our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date). If any incumbent director standing for election receives a greater number of votes “against” his or her election than votes “for” his or her election, our bylaws require that such person must promptly tender his or her resignation to the Board of Directors.

RECOMMENDATION

Our Board of Directors recommends a vote “FOR” the election of each of the nominees listed above to our Board of Directors.

Proposal 2: Ratification of the Appointment of KPMG LLP as our Independent Registered Public Accounting Firm for Fiscal Year 2020

The Audit Committee of our Board of Directors has appointed KPMG LLP (“KPMG”) to serve as our independent registered public accounting firm for the year ending December 31, 2020. KPMG has served in this capacity since 2011.

We are asking our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2020. Although ratification is not required by our bylaws or otherwise, our Board of Directors is submitting the appointment of KPMG to our stockholders for ratification as a matter of good corporate governance. If our stockholders fail to ratify the appointment of KPMG, the Audit Committee will consider whether it is appropriate and advisable to appoint a different independent registered public accounting firm. Even if our stockholders ratify the appointment of KPMG, the Audit Committee in its discretion may appoint a different registered public accounting firm at any time if it determines that such a change would be in the best interests of our company and our stockholders.

Representatives of KPMG are expected to be present at the annual meeting and will have an opportunity to make a statement and to respond to appropriate questions.

REQUIRED VOTE

Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2020 requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote “FOR” the ratification of the appointment of KPMG as our independent registered public accounting firm for fiscal year 2020.

Proposal 3: Approval of an Amendment to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan

We are asking our stockholders to approve an amendment (the “Amendment”) to the company’s 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the “2016 Plan”) which increases the number of shares of our common stock available for issuance thereunder by 1,150,000 shares to a total of 6,550,000 shares. Our Compensation Committee and our Board believe that this share increase is necessary to ensure that the company has a sufficient reserve of shares available to enable the company to make equity award grants that attract and retain the services of key individuals essential to the company’s long-term growth and success. The Amendment was adopted by the Board on April 17, 2020, subject to, and effective upon, approval by our stockholders. Currently, the 2016 Plan provides that the maximum number of shares available for issuance pursuant to awards issued thereunder is 5,400,000 shares of our common stock. If the stockholders do not approve the Amendment, the Amendment will not become effective, the 2016 Plan will continue in effect (without giving effect to the Amendment), and we will be subject to the current share limit set forth in the 2016 Plan.

Background of the Amendment

Prior to recommending that the Board adopt the Amendment, the Compensation Committee considered the advice and input of management. The Amendment, as approved by our Board, is designed to allow us to continue to use different forms of compensation awards, retain and reward eligible participants under the 2016 Plan and strengthen the alignment of interests between management and our stockholders. The purpose of the Amendment is to continue promoting our interests and those of our stockholders by (1) enabling us to grant awards that attract and retain exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants), and (2) enabling such individuals to participate in, and motivating their efforts toward, our long-term growth and financial success. As of April 9, 2020, 1,270,591 shares of our common stock remained available for future grants under the 2016 Plan, which is our only incentive award plan with shares available for issuance. The Board and the Compensation Committee considered various factors, including (a) the number of shares available for issuance under the 2016 Plan, both currently and after giving effect to the Amendment and (b) the Company’s potential burn rate, dilution and overhang data (described below).

Determination of Number of Shares for the Amendment

As of April 9, 2020, our capital structure consisted of: (i) 91,105,728 shares of outstanding common stock, (ii) 71,110 shares of preferred stock, which presently are convertible into 10,158,571 shares of our common stock and vote together with our common stock on an “as-converted” basis on all matters on which the common stock may vote, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of preferred stock, and (iii) warrants presently exercisable for an aggregate of 10,100,537 shares of our common stock at a price of \$7.00 per share (the “Warrants”). Due to our capital structure, when calculating potential dilution, or overhang, in determining a reasonable number of shares of common stock to be reserved for issuance under the 2016 Plan and the Amendment, we assume our preferred stock is converted to shares of common stock and we include the Warrants using the treasury stock method, as shown in the table below.

Our Fully-Diluted Capitalization:	
Shares of common stock	91,105,728
Shares of common stock issuable upon conversion of preferred stock	10,158,571
Shares of common stock issuable upon exercise of 10,100,537 Warrants (using the treasury method and assuming a price of \$61.90 per share, which was the closing price of our common stock on the NYSE on April 9, 2020)	8,958,311
Fully-Diluted Common Stock Outstanding	110,222,610

The table below represents our potential overhang levels based on our fully-diluted common stock outstanding, as shown above, and our request for 1,150,000 additional shares to be available for awards pursuant to the Amendment.

Potential Overhang with 1,150,000 Additional Shares:		
Total equity awards outstanding as of April 9, 2020		3,835,957
Options and Stock Appreciation Rights Outstanding*	575,755	
Restricted Stock Units and Performance-based Restricted Stock Units Outstanding	3,260,202	
Shares available for grant under the 2016 Plan		1,270,591
Additional requested shares		1,150,000
Total Potential Dilution, or Overhang		6,256,548
Potential Dilution as a Percentage of Fully-Diluted Common Stock Outstanding		5.68%

* Weighted average exercise price: \$12.29; weighted average remaining term: 2.22 years

XPO BURN RATE

We actively manage our long-term dilution by limiting the number of shares subject to equity awards that we grant, commonly expressed as a percentage of total shares outstanding and referred to as “burn rate.” Burn rate is a key measure of dilution that shows how rapidly a company is depleting its shares reserved for equity compensation plans, and differs from annual dilution because it does not take into account cancellations and other shares returned to the reserve. In order to calculate our burn rate, we include the number of stock options granted in any given period, plus the number of full value shares earned during the period and divide the total by the weighted average common shares outstanding.

We have calculated our burn rate under the 2016 Plan for the past three years, as set forth in the following table (share numbers rounded and reported in thousands):

	Fiscal Year Ended December 31,			
	2019	2018	2017	
Options Granted	0	0	0	
Restricted Stock Units Granted	1,148	533	658	
Performance-based Restricted Stock Units Vested	407	1,086	155	
Weighted Average Common Shares Outstanding	96,000	123,000	115,000	
Volatility Multiplier	2.0	2.0	2.0	
				3-Year Average
Burn Rate	3.24%	2.63%	1.42%	2.43%

Note: Burn rate is calculated as (options granted + RSUs granted + Performance-based RSUs vested) / weighted average shares outstanding. All RSUs granted and Performance-based RSUs vested are adjusted using a multiplier of 2.0 options per share (based on the ISS methodology and the Company’s 3-year average stock price volatility).

The purpose of the Amendment is to increase the number of authorized shares of our common stock available under the 2016 Plan. Our Board believes that this increase in authorized shares represents a reasonable amount of potential equity dilution and allows us to continue awarding equity incentives, which are an important component of our overall compensation program. Our Board and the Compensation Committee considered the following material factors, among others, in determining acceptable and targeted levels of dilution: competitive data from relevant peer companies, the current and future accounting expense associated with our equity award practices, stockholder feedback and the influence of certain proxy advisory firms. Our equity programs are revisited at least annually and assessed against these and other measures.

SUMMARY OF SIGNIFICANT FEATURES OF THE 2016 PLAN

The 2016 Plan (as modified by the Amendment) contains the following significant features:

- The maximum total number of shares of common stock, par value \$0.001 per share (our “common stock”) that we may issue under the 2016 Plan is 6,550,000 shares (including 1,150,000 additional shares added by the Amendment). The closing trading price of our common stock on the NYSE on April 9, 2020 was \$61.90;
- The maximum number of shares of our common stock available to be granted under the 2016 Plan to any participant in any fiscal year is 2,500,000;
- The maximum aggregate amount of cash and other property that is permitted to be paid or delivered under the 2016 Plan to any participant in any fiscal year is \$10,000,000; and
- The value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan in any fiscal year is limited to \$350,000 on the date of grant.

HIGHLIGHTS OF KEY CORPORATE GOVERNANCE PRACTICES AND PROVISIONS UNDER THE 2016 PLAN

The 2016 Plan promotes the interests of our stockholders and is consistent with principles of good corporate governance. The 2016 Plan includes, among other things, the following practices and provisions:

- **Administered by an independent compensation committee.** Awards under the 2016 Plan are administered by our Compensation Committee, which is composed entirely of independent directors who meet the SEC and NYSE standards of independence.
- **Awards require a minimum vesting period.** The 2016 Plan requires a minimum vesting period of one year, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement.

- **Clawbacks.** All awards under the 2016 Plan are subject to recoupment or clawback under certain circumstances.
- **No liberal share counting.** The 2016 Plan prohibits the reuse of shares withheld to satisfy the exercise price or tax withholding requirements of an award or share-based awards granted under the 2016 Plan that are settled in cash.
- **Cap on awards to non-employee directors.** The value of shares (as of the date of grant) awarded to a single non-employee director during a fiscal year will not exceed \$350,000.
- **No discounted stock options or SARs.** All stock options and stock appreciation right awards (or “SARs”) under the 2016 Plan must have an exercise price or base price that is not less than the fair market value of the underlying common stock on the date of grant.
- **No repricing of stock options or SARs.** The 2016 Plan prohibits any repricing of stock options or SARs for shares or cash without stockholder approval.
- **No tax gross-ups.** The 2016 Plan does not include any tax gross-up provisions.
- **No reloads.** The 2016 Plan does not permit the grant of stock option reloads.
- **No Dividends on Unvested Awards.** No dividends or dividend equivalents may be paid with respect to stock options, SARs, or cash awards. The 2016 Plan does not permit dividends or dividend equivalents to be paid in respect of any full value stock award until the underlying award becomes vested.

SUMMARY OF THE 2016 PLAN

The material terms of the 2016 Plan are summarized below. This summary does not contain all information about the 2016 Plan. This summary is qualified in its entirety by reference to, and should be read together with, the full text of the Amendment, which is attached to this Proxy Statement as Annex B, and full text of the 2016 Plan, which is attached to this Proxy Statement as Annex C.

Types of Awards

The 2016 Plan provides for the grant of options intended to qualify as incentive stock options (“ISOs”) under Section 422 of the Code, nonqualified stock options (“NSOs”), stock appreciation rights (“SARs”), restricted share awards, restricted stock units (“RSUs”), performance compensation awards, performance units, cash incentive awards, deferred share units and other equity-based and equity-related awards, as well as cash-based awards.

Plan Administration

The 2016 Plan is administered by the Compensation Committee of our Board or such other committee our Board designates to administer the 2016 Plan (the “Committee”). Subject to the terms of the 2016 Plan and applicable law, the Committee has sole authority to administer the 2016 Plan, including, but not limited to, the authority to (1) designate plan participants, (2) determine the type or types of awards to be granted to a participant, (3) determine the number of shares of our common stock to be covered by awards, (4) determine the terms and conditions of awards, (5) determine the vesting schedules of awards and, if certain performance criteria were required to be attained in order for an award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (6) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the 2016 Plan, (7) establish, amend, suspend or waive such rules and regulations and appoint such agents as it should deem appropriate for the proper administration of the 2016 Plan, (8) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, awards, and (9) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the 2016 Plan.

Shares Available For Awards

Subject to adjustment for changes in capitalization, there are 5,400,000 shares of our common stock, in the aggregate, that are currently authorized for delivery pursuant to awards granted under the 2016 Plan, 3,400,000 shares of which may be granted pursuant to ISOs. If the Amendment is approved by stockholders, an additional 1,150,000 shares of our common stock would be available to be delivered pursuant to awards granted under the 2016 Plan so that the total number of shares available to be delivered pursuant to awards granted under the 2016 Plan would be 6,550,000, of which 5,400,000 may be granted pursuant to ISOs. Awards that are settled in cash do not reduce the number of shares available for delivery under the 2016 Plan. If any award granted under the 2016 Plan is forfeited, or otherwise expires, terminates or is canceled without the delivery of all shares subject thereto, then the number of shares subject to such award that were not issued are not treated as issued for purposes of reducing the maximum aggregate number of shares that may be delivered pursuant to the 2016 Plan.

Notwithstanding the foregoing, and for the avoidance of doubt, shares that were surrendered or tendered to us in payment of the exercise price of an award (including with respect to stock-settled SARs) or any taxes required to be withheld in respect of an award and awards based on the fair market value of a share that are settled other than by the delivery of shares (including

cash settlement) do not become available again to be delivered pursuant to awards under the 2016 Plan or increase the number of shares that may be delivered pursuant to ISOs under the 2016 Plan. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that is available to be granted pursuant to awards to any participant in the 2016 Plan in any fiscal year is 2,500,000. In the case of awards settled in cash based on the fair market value of a share, the maximum aggregate amount of cash that is permitted to be paid pursuant to awards granted to any participant in the 2016 Plan in any fiscal year is equal to the per-share fair market value as of the relevant vesting, payment or settlement date multiplied by the maximum number of shares which could be granted, as described above (*i.e.*, 2,500,000 shares). The maximum aggregate amount of cash and other property (valued at fair market value) that is permitted to be paid or delivered pursuant to awards under the 2016 Plan (other than as described in the two immediately preceding sentences) to any participant in any fiscal year is \$10,000,000. The maximum value of shares of our common stock that are available to be granted pursuant to awards to any non-employee director in the 2016 Plan in any fiscal year is \$350,000 as of the date of grant. Subject to adjustment for changes in capitalization, the maximum number of shares of our common stock that is available to be granted pursuant to ISOs to any participant in the 2016 Plan in any fiscal year is 2,500,000.

Changes in Capitalization

In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off affecting the shares of our common stock, the Committee shall make equitable adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan in the manner it determined to be appropriate or desirable. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of our common stock or other similar corporate transactions, the Committee in its discretion is permitted to make such adjustments and other substitutions to the 2016 Plan and awards under the 2016 Plan as it deems appropriate or desirable.

Substitute Awards

The Committee is permitted to grant awards in assumption of, or in substitution for, outstanding awards previously granted by us or any of our affiliates or a company that we acquired or with which we combined. Any shares issued by us through the assumption of or substitution for outstanding awards granted by a company that we acquired do not reduce the aggregate number of shares of our common stock available for awards under the 2016 Plan, except that awards issued in substitution for ISOs will reduce the number of shares of our common stock available for ISOs under the 2016 Plan.

Source of Shares

Any shares of our common stock issued under the 2016 Plan consist, in whole or in part, of authorized and unissued shares or of treasury shares.

Eligible Participants

Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of our company or our affiliates is eligible to participate in the 2016 Plan. As of April 9, 2020, there were eight non-employee directors, three executive officers, approximately 97,000 employees globally, and approximately 9,000 consultants in the United States (the number of consultants engaged in other jurisdictions varies, and the Company generally does not expect to grant awards to consultants in such other jurisdictions).

Stock Options

The Committee is permitted to grant both ISOs and NSOs under the 2016 Plan. The exercise price for stock options may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any stock option granted under the 2016 Plan without the approval of our stockholders. All stock options granted under the 2016 Plan are NSOs unless the applicable award agreement expressly stated that the stock option was intended to be an ISO. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a stock option, the vesting criteria, term, methods of exercise and any other terms and conditions of any stock option. Unless otherwise set forth in the applicable award agreement, each stock option expires upon the earlier of (i) the tenth anniversary of the date the stock option was granted and (ii) three months after the participant who was holding the stock option ceased to be a director, officer, employee or consultant for us or one of our affiliates. The exercise price is permitted to be paid with cash (or its equivalent) or, in the sole discretion of the Committee, with previously acquired shares of our common stock or through delivery of irrevocable instructions to a broker to sell our common stock otherwise deliverable upon the exercise of the stock option (provided that there was a public market for our common stock at such time), or, in the sole discretion of the Committee, a combination of any of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such shares so tendered to us as of the date of such tender, together with any shares withheld by us in respect of taxes relating to a stock option, was at least equal to such aggregate exercise price.

Stock Appreciation Rights

The Committee is permitted to grant SARs under the 2016 Plan. The exercise price for SARs may not be less than the fair market value (as defined in the 2016 Plan) of our common stock on the grant date. The Committee may not reprice any SAR granted under the 2016 Plan without the approval of our stockholders. Upon exercise of a SAR, the holder receives cash, shares of our common stock, other securities, other awards, other property or a combination of any of the foregoing, as determined by the Committee, equal in value to the excess, if any, of the fair market value of a share of our common stock on the date of exercise of the SAR over the exercise price of the SAR. Subject to the provisions of the 2016 Plan (including the minimum vesting period described below) and the applicable award agreement, the Committee determines, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR. Unless otherwise set forth in the applicable award agreement, each SAR expires upon the earlier of (i) the tenth anniversary of the date the SAR was granted and (ii) three months after the participant who was holding the SAR ceased to be a director, officer, employee or consultant for us or one of our affiliates. Under certain circumstances, the Committee has the ability to substitute, without the consent of the affected participant, SARs for outstanding NSOs. No SAR granted under the 2016 Plan could be exercised more than 10 years after the date of grant.

Restricted Shares and Restricted Stock Units

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant restricted shares and RSUs. Restricted shares and RSUs are not permitted to be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the 2016 Plan or the applicable award agreement, except that the Committee may determine that restricted shares and RSUs are permitted to be transferred by the participant for no consideration. Restricted shares may be evidenced in such manner as the Committee determines.

An RSU is granted with respect to one share of our common stock or has a value equal to the fair market value of one such share. Upon the lapse of restrictions applicable to an RSU, the RSU may be paid in cash, shares of our common stock, other securities, other awards or other property, as determined by the Committee, or in accordance with the applicable award agreement. In connection with each grant of restricted shares, except as provided in the applicable award agreement, the holder is entitled to the rights of a stockholder (including the right to vote and receive dividends) in respect of such restricted shares. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds RSUs with dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

Performance Units

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant performance units to participants. Performance units are awards with an initial value established by the Committee (or that was determined by reference to a valuation formula specified by the Committee) at the time of the grant. In its discretion, the Committee sets performance goals that, depending on the extent to which they were met during a specified performance period, determine the number and/or value of performance units that are paid out to the participant. The Committee, in its sole discretion, is permitted to pay earned performance units in the form of cash, shares of our common stock or any combination thereof that has an aggregate fair market value equal to the value of the earned performance units at the close of the applicable performance period. The determination of the Committee with respect to the form and timing of payout of performance units is set forth in the applicable award agreement. The Committee is permitted to, on such terms and conditions as it might determine, provide a participant who holds performance units with dividends or dividend equivalents, payable in cash, shares of our common stock, other securities, other awards or other property.

Cash Incentive Awards

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant cash incentive awards to participants. In its discretion, the Committee determines the number of cash incentive awards to be awarded, the duration of the period in which, and any condition under which, the cash incentive awards vest or are forfeited, and any other terms and conditions applicable to the cash incentive awards. Subject to the provisions of the 2016 Plan, the holder of a cash incentive award may receive payment based on the number and value of the cash incentive award earned, which is determined by the Committee, in its discretion, based on the extent to which performance goals or other conditions applicable to the cash incentive award have been achieved.

Other Stock-Based Awards

Subject to the provisions of the 2016 Plan, the Committee is permitted to grant to participants other equity-based or equity-related compensation awards, including vested stock, which shall be granted pursuant to the five percent limit described below under the header "Minimum Vesting Period." The Committee is permitted to determine the amounts and terms and conditions of any such awards.

Clawbacks

The Company may clawback awards provided to eligible employees to the extent required by applicable law and as otherwise determined by the Compensation Committee and set forth in an award agreement.

Minimum Vesting Period

The 2016 Plan is subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the 2016 Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such awards.

Amendment and Termination of the 2016 Plan

Subject to any applicable law or government regulation and to the rules of the applicable national stock exchange or quotation system on which the shares of our common stock may be listed or quoted, the 2016 Plan may be amended, modified or terminated by our Board without the approval of our stockholders, except that stockholder approval is required for any amendment that (i) increases the maximum number of shares of our common stock available for awards under the 2016 Plan or increases the maximum number of shares of our common stock that could be delivered pursuant to ISOs granted under the 2016 Plan, (ii) changes the class of employees or other individuals eligible to participate in the 2016 Plan, (iii) amends or decreases the exercise price of any option or SAR, (iv) cancels or exchanges any option or SAR at a time when its exercise price exceeds the fair market value of the underlying shares, (v) allows repricing of any option or SAR without stockholder approval, or (vi) constitutes a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof. Under these provisions, stockholder approval is not be required for all possible amendments that might increase the cost of the 2016 Plan. No modification, amendment or termination of the 2016 Plan that materially and adversely impairs the rights of any participant is effective without the consent of the affected participant, unless otherwise provided by the Committee in the applicable award agreement.

The Committee is permitted to waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any award previously granted under the 2016 Plan, the Prior Plan or the Stock Option Plan (as defined below), prospectively or retroactively. However, unless otherwise provided by the Committee in the applicable award agreement or in the 2016 Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that materially and adversely impairs the rights of any participant to any award previously granted is not effective without the consent of the affected participant.

The Committee is authorized to make adjustments in the terms and conditions of awards in the event of any unusual or nonrecurring corporate event (including the occurrence of a change of control of our company) affecting us, any of our affiliates or our financial statements or the financial statements of any of our affiliates, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law whenever the Committee, in its discretion, determined that those adjustments were appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the exercisability of, lapse of restrictions on, or termination of, awards or providing for a period of time for exercise prior to the occurrence of such event and, in its discretion, the Committee is permitted to provide for a cash payment to the holder of an award in consideration for the cancellation of such award.

Change of Control

The 2016 Plan provides that, unless otherwise provided in an award agreement, in the event of a change of control of our company, awards will be assumed and replaced by awards of equivalent value in connection with the change of control and such assumed awards will have so-called "double trigger" vesting provisions, such that the awards will vest in full and become immediately exercisable upon qualifying terminations of employment during the two-year period following the change of control. However, in the event that awards are not replaced with awards of equivalent value the vesting of the awards will generally accelerate immediately prior to the change of control.

Unless otherwise provided pursuant to an award agreement, a change of control is defined to mean any of the following events, generally:

- during any period, a change in the composition of a majority of the board of directors, as constituted on the first day of such period, that was not supported by a majority of the incumbent board of directors;
- consummation of certain mergers or consolidations of our company with any other corporation following which our stockholders hold 50% or less of the combined voting power of the surviving entity;
- the stockholders approve a plan of complete liquidation or dissolution of our company; or
- an acquisition by any individual, entity or group of beneficial ownership of a percentage of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors that was equal to or greater than 30%.

Although award agreements may provide for a different definition of change of control than is provided for in the 2016 Plan, except in the case of a transaction described in the third bullet above, any definition of change of control set forth in any award agreement must provide that a change of control will not occur until consummation or effectiveness of a change of control of our company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, will result in a change of control of our company.

Term of the 2016 Plan

No award may be granted under the 2016 Plan after May 15, 2029.

NEW PLAN BENEFITS

Awards under the 2016 Plan are made at the discretion of the Committee. Therefore, the benefits or amounts that will be received by or allocated to each named executive officer, all current executive officers as a group, all directors who are not executive officers as a group, and all employees who are not executive officers as a group, under the 2016 Plan if the Amendment is approved by stockholders are not presently determinable.

CERTAIN U.S. FEDERAL INCOME TAX ASPECTS OF THE 2016 PLAN

The following summary describes the U.S. Federal income tax treatment associated with options awarded under the 2016 Plan. The summary is based on the law as in effect on the date of this filing, which is subject to change (possibly retroactively). The summary does not purport to cover federal employment tax or other federal tax consequences that may be associated with the 2016 Plan, nor does it discuss state, local and foreign tax consequences. The tax treatment of participants in the 2016 Plan may vary depending on each participant's particular situation and may, therefore, be subject to special rules not discussed below. Participants are advised to consult with a tax advisor concerning the specific tax consequences of participating in the 2016 Plan.

Incentive Stock Options

Neither the grant nor the exercise of an ISO results in taxable income to the optionee for regular U.S. federal income tax purposes. However, an amount equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the ISO is being exercised will count as "alternative minimum taxable income" which, depending on the particular facts, could result in liability for the "alternative minimum tax" or AMT. If the optionee does not dispose of the shares issued pursuant to the exercise of an ISO until the later of the two-year anniversary of the date of grant of the ISO and the one-year anniversary of the date of the acquisition of those shares, then (a) upon a later sale or taxable exchange of the shares, any recognized gain or loss will be treated for tax purposes as a long-term capital gain or loss and (b) we will not be permitted to take a deduction with respect to that ISO for federal income tax purposes.

If shares acquired upon the exercise of an ISO were disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally the optionee will realize ordinary income in the year of disposition in an amount equal to the lesser of (i) any excess of the fair market value of the shares at the time of exercise of the ISO over the amount paid for the shares or (ii) the excess of the amount realized on the disposition of the shares over the participant's aggregate tax basis in the shares (generally, the exercise price). A deduction will generally be available to us equal to the amount of ordinary income recognized by the optionee. Any further gain realized by the optionee will be taxed as short-term or long-term capital gain and will not result in any deduction by us. A disqualifying disposition occurring in the same calendar year as the year of exercise will eliminate the alternative minimum tax effect of the ISO exercise.

Special rules may apply where all or a portion of the exercise price of an ISO is paid by tendering shares, or if the shares acquired upon exercise of an ISO are subject to substantial forfeiture restrictions. The foregoing summary of tax consequences associated with the exercise of an ISO and the disposition of shares acquired upon exercise of an ISO assumes that the ISO is exercised during employment or within three months following termination of employment. The exercise of an ISO more than three months following termination of employment will result in the tax consequences described below for NSOs, except that special rules apply in the case of disability or death. An individual's stock options otherwise qualifying as ISOs will be treated for tax purposes as NSOs (and not as ISOs) to the extent that, in the aggregate, they first become exercisable in any calendar year for stock having a fair market value (determined as of the date of grant) in excess of \$100,000.

Nonqualified Stock Options

An NSO (that is, a stock option that does not qualify as an ISO) results in no taxable income to the optionee or deduction to us at the time it is granted. An optionee exercising an NSO will, at that time, realize taxable compensation equal to (i) the per-share fair market value on the exercise date minus the exercise price at the time of grant multiplied by (ii) the number of shares with respect to which the stock option is being exercised. If the NSO was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will

generally be available to us. The foregoing summary assumes that the shares acquired upon exercise of an NSO option are not subject to a substantial risk of forfeiture.

Restricted Stock and Restricted Stock Units

A restricted stock award results in no taxable income to the grantee or deduction to us at the time it is granted, unless the grantee elected to realize ordinary income in the year the award is granted in an amount equal to the fair market value of the restricted stock awarded, determined without regard to the restrictions. If no such election has been made, when the restrictions lapse with regard to any installment of restricted stock, the grantee will recognize ordinary income in an amount equal to the fair market value of the shares with respect to which the restrictions lapse. A grantee will not recognize income at the time an award of restricted stock units ("RSUs") is granted. The grantee will generally recognize ordinary income at the time the RSUs vest, in an amount equal to the cash paid or to be paid or the fair market value of the shares delivered or to be delivered. If the award of restricted stock or RSUs was granted in connection with employment, this taxable income will also constitute "wages" subject to withholding and employment taxes. A corresponding deduction will generally be available to the company.

Section 162(m)

In general, Section 162(m) of the Code currently provides that if, in any year, the compensation that is paid to any "covered employee" (as defined under Section 162(m)) exceeds \$1,000,000 per person, any amounts that exceed the \$1,000,000 threshold will not be deductible by the company for federal income tax purposes.

Section 409A

Section 409A of the Code imposes restrictions on nonqualified deferred compensation. Failure to satisfy these rules results in accelerated taxation, an additional tax to the holder in an amount equal to 20% of the deferred amount, and a possible interest charge. Stock options granted with an exercise price that is not less than the fair market value of the underlying shares on the date of grant will not give rise to "deferred compensation" for this purpose unless they involve additional deferral features. Stock options that are awarded under the 2016 Plan are intended to be eligible for this exception.

REQUIRED VOTE

The approval of an amendment to the company's 2016 Omnibus Incentive Compensation Plan requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

Recommendation

Our Board of Directors recommends a vote "FOR" approval of the resolution to approve the amendment to the company's 2016 Omnibus Incentive Compensation Plan to increase the number of available shares.

Proposal 4: Advisory Vote to Approve Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, and Section 14A of the Securities Exchange Act of 1934, require that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our NEOs as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. Accordingly, we are asking our stockholders to approve the following advisory resolution:

“RESOLVED, that the stockholders of XPO Logistics, Inc. (the “company”) hereby approve, on an advisory basis, the compensation of the company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in the Proxy Statement for the company’s 2020 Annual Meeting of Stockholders.”

We encourage stockholders to review the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosures included in this Proxy Statement. As described in detail under the heading “Executive Compensation—Compensation Discussion and Analysis,” we believe that our compensation programs appropriately reward executive performance and align the interests of our NEOs and key employees with the long-term interests of our stockholders, while also enabling us to attract and retain talented executives.

This resolution, commonly referred to as a “say-on-pay” resolution, is non-binding on our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

At the 2018 annual meeting of stockholders, our stockholders voted to approve an annual holding of the advisory vote on executive compensation. This frequency will continue until the next required non-binding, advisory vote is held on the frequency of advisory votes on executive compensation in 2024, as per the SEC rules.

REQUIRED VOTE

Approval of this advisory resolution, commonly referred to as a “say-on-pay” resolution, requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote “FOR” approval of the advisory resolution to approve executive compensation set forth above.

Proposal 5: Stockholder Proposal Regarding Integration of Environmental, Social, and Governance (“ESG”) Metrics Into Executive Compensation

We have been notified that the Office of the State Comptroller, State of New York, expects to introduce and support the following proposal at the annual meeting. This stockholder proponent has provided certification indicating that, as of November 26, 2019, it was the beneficial owner of 167,600 shares of the company’s common stock, with an approximate value of \$14,500,000, and that it intends to maintain such ownership through the date of the annual meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent’s supporting statement, which are set forth below as they were submitted to us.

PROPOSAL

RESOLVED: Shareholders of XPO Logistics, Inc. (XPO) urge the Board of Directors to examine and report to shareholders, at reasonable cost and omitting proprietary information, describing if, and how, it plans to integrate ESG metrics into the performance measures of named executive officers under the Company’s compensation incentive plans. ESG is defined as how environmental, social, and governance considerations, and related financial impacts, are integrated into corporate strategy over the long term.

SUPPORTING STATEMENT: Strong management of ESG risks has a positive effect on long-term shareholder value and value creation. Failure to adequately manage and disclose performance on ESG issues can pose regulatory, legal, reputational, and financial risks to a company and its shareholders.

Investors are increasingly calling for improved corporate disclosure of performance on material ESG issues. According to the 2019 UN Global Compact CEO Study, 84% of executives from the world’s largest companies cited a clear link between sustainability and business value.

Additionally, that study found 66% of CEOs would agree to have their compensation linked to sustainability performance. A recent Mercer survey of 135 U.S. and Canadian companies found 30% of respondents use ESG metrics in their incentive compensation plans and 21% are considering incorporating metrics.

Effectively managing ESG issues offers positive opportunities for companies and should be a key metric by which executives are judged. By integrating ESG metrics into executive compensation, companies can reduce risks related to ESG underperformance by incentivizing executives to meet sustainability goals, thereby achieving greater long-term value for shareholders.

The Sustainability Accounting Standards Board identifies XPO’s material ESG issues as labor practices; employee health and safety; supply chain management; accident and safety management; greenhouse gas emissions; and air quality. While XPO has taken steps to address these issues with various sustainability goals, it has not explicitly integrated ESG metrics into executive incentives. Furthermore, XPO has demonstrated poor performance related to the management of these risks, including:

- Subsidiaries reportedly failing to respect workers’ rights by classifying employees as independent contractors;
- High-profile allegations relating to sexual harassment, gender discrimination, and retaliation at its warehouses;
- Allegations and investigations regarding pregnancy discrimination following miscarriages that occurred after management disregarded requests for modified work during pregnancies;
- Lagging behind its peers in implementing best practices and disclosure relating to carbon emissions and reduction targets.

Shareholders have voiced concern regarding XPO executive compensation practices through its most recent advisory vote on executive compensation, which received only 67% support from shareholders.

XPO should provide clarity regarding whether its plan to improve ESG performance includes integrating ESG metrics into executive compensation assessments.

STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

The Board of Directors Unanimously Recommends a Vote Against Stockholder Proposal No. 5

We Have a Proven Track Record of Consistently Integrating Environmental, Social and Governance (“ESG”) Metrics into Our Long-Term Strategy and Using Those Metrics to Drive Performance.

An effective approach to managing risks associated with ESG objectives requires more than simply tying executive compensation to arbitrary goals. We understand that building a strong ESG footprint depends not just on setting goals, but on making progress towards those goals. That is why our approach to ESG and all areas of our business is one of purpose-driven progress rooted in innovation. This approach is fundamental to how we operate our business for the long-term. Our commitment to this approach is evidenced across our business practices and provides a more holistic and effective approach to these core principles than the limited measure proposed by the proponent.

Last year we published our first Sustainability Report (the “2018 Sustainability Report”), which details our objectives and progress in the areas of environmental sustainability, social initiatives and governance performance. We intend to issue an updated report annually. As articulated in the 2018 Sustainability Report, the Board and management believe that XPO’s “success depends on a strong governance structure, good corporate citizenship, inclusive workplaces, environmental responsibility and ethical business conduct that is beyond reproach.” For example, the 2018 Sustainability Report highlighted our focus on environmental protection, particularly with respect to our transportation segment. In Europe, we are using a series of approaches, including alternative-fuel vehicles, multimodal options and technologies, to tailor solutions that minimize environmental impact, and in Iberia, we own high-capacity mega-trucks that reduce road miles and cut CO2 emissions by as much as 20% for the same freight volume. More information on our commitment to ESG initiatives can be found in the 2018 Sustainability Report, which is posted on our website. Another initiative highlighted in the 2018 Sustainability Report was our development of what we view as gold-standard benefits for women and families in the United States. As outlined in the 2018 Sustainability Report, when an XPO employee becomes a new parent through birth or adoption, that individual can qualify for up to six weeks of 100% paid leave as the infant’s primary caregiver or up to two weeks’ leave at 100% pay as the secondary caregiver. Moreover, while pregnant, a woman can request certain automatic accommodations or alternative work arrangements, with the guarantee that she’ll continue to earn her base wage rate while the accommodation(s) is in place. She also receives up to 80 hours of 100% paid prenatal leave for health and wellness preparation for the child’s arrival.

XPO’s commitment to environmentally responsible practices has also earned it the US EPA SmartWay® Partnership certification. As stated in the Form 10-K for the year ended December 31, 2019, “[the Company] has a strong commitment to sustainability.” For example, as disclosed in the Form 10-K for the year ended December 31, 2019, in the United States (“U.S.”), XPO has been named a Top 75 Green Supply Chain Partner by Inbound Logistics for four consecutive years, and in 2016 we were awarded the label “Objectif CO2” for outstanding environmental performance of transport operations in Europe by the French Ministry of the Environment and the French Environment and Energy Agency. In Spain, all of our sites meet Leadership in Energy and Environmental Design (“LEED”) energy certification standards for 100% consumption of renewable energy. In the United Kingdom (“U.K.”), the warehouse of the future we created with Nestlé is scheduled to open in mid-year 2020. It utilizes environmentally friendly ammonia refrigeration systems, energy-saving light-emitting diode (“LED”) lighting, air-source heat pumps for administration areas and rainwater harvesting. A number of our logistics facilities are ISO14001-certified, which ensures environmental and other regulatory compliances.

In transportation, we have made substantial investments in fuel-efficient Freightliner Cascadia tractors in North America; these use Environmental Protection Agency (“EPA”) 2013-compliant and Greenhouse Gas 2014-compliant Selective Catalytic Reduction technology. In Europe, we own one of the industry’s most modern road fleets: 98% compliant with Euro V, EEV and Euro VI standards.

Our Compensation Committee Is Best Positioned to Determine the Appropriate Metrics for Our Executive Compensation Programs.

Our Board believes that our Compensation Committee, which is composed entirely of independent directors, is best positioned to design and implement executive compensation arrangements tailored to our Company that will promote our goals and create long-term shareholder value. Further, the Compensation Committee should be able to exercise its business judgment on these matters at the appropriate times and without obligating itself to one approach through forced disclosure of future plans regarding selection of applicable metrics. The incentive compensation program is structured around financial and operational performance measures that the Compensation Committee believes are most important in driving the responsible, long-term growth of the business. Given that sustainable performance is inherent in our approach, incorporating explicit ESG performance metrics is not necessary at this time. We are fully committed to operating in a sustainable and ethical manner, and our Board believes that the proposal is not necessary.

We are committed to serving the interests of our employees, customers, stockholders and the global community. However, given that ESG goals are inherent in our strategy, we believe our existing compensation program already addresses the objectives of the proposal.

For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 5.

REQUIRED VOTE

Approval of a policy requiring that the company examine and report to stockholders how it plans to integrate ESG metrics into performance measures of named executive officers requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted “for” such proposal must exceed the number of shares voted “against” such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote “AGAINST” this stockholder proposal.

Proposal 6: Stockholder Proposal Regarding the Requirement that the Chairman of the Board be an Independent Director

We have been notified that the International Brotherhood of Teamsters, 25 Louisiana Avenue, NW, Washington, D.C. 20001, expects to introduce and support the following proposal at the annual meeting. This stockholder proponent has provided certification indicating that, as of December 17, 2019, it was the beneficial owner of 160 shares of the company's common stock, with an approximate value of \$14,000, and that it intends to maintain such ownership through the date of the annual meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

PROPOSAL

RESOLVED: That shareholders of XPO Logistics, Inc. ("the Company"), urge the Board of Directors (the "Board") to take the steps necessary to adopt a policy, with amendments to governing documents as needed, so that, to the extent feasible, the Chairman of the Board shall be an independent director who has not previously served as an executive officer of the Company. The policy should be implemented so as not to violate any contractual obligations and should specify the process for selecting a new independent chairman if the chairman ceases to be independent between annual meetings of shareholders or if no independent director is available and willing to serve as chairman.

SUPPORTING STATEMENT: XPO's CEO currently serves as Board Chairman. In our view, the chairman should be an independent director, who has not previously served as an executive, in order to provide robust oversight and accountability of management, and to facilitate effective deliberation of corporate strategy, which we believe, is difficult to accomplish when the CEO serves as chairman. Even with robust responsibilities, we believe the position of a lead independent director is inadequate to this task because ultimate responsibility for board leadership remains with the chairman/CEO. We also do not believe the recent creation of a vice-chair role remedies the situation, with the position confusing rather than enhancing the board leadership structure.

In our opinion, these considerations are especially critical at XPO given the media and political scrutiny of the Company's culture. In 2018, on the heels of a front page New York Times investigation into a spate of miscarriages and allegations of pregnancy discrimination at a Memphis facility owned by XPO and operated on behalf of Verizon, nine U.S. Senators wrote to XPO (and Verizon) calling for immediate changes to the "allegedly deleterious workplace practices." Separately, 97 U.S. House representatives called on the House Committee on Education and the Workforce to investigate allegations of pregnancy discrimination, sexual harassment and hazardous working conditions at the Company. XPO's response included changing its pregnancy care policy and closing the warehouse. Even so, the story continued to generate negative media coverage, notably a July 2019 story on HBO's "Last Week Tonight with John Oliver," which interviewed a former Memphis XPO worker concerning working conditions at the facility as part of a segment on warehouse employment.

In the midst of such scrutiny, we believe an independent chairman can be invaluable in ensuring XPO maintains good communications and credibility with stakeholders. In addition, independent board leadership could strengthen board management dialogue on corporate culture and compliance.

We urge fellow shareholders to vote FOR this proposal.

STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

The Board of Directors Unanimously Recommends a Vote Against the Stockholder Proposal No. 6

Mr. Jacobs' Combined Role of Chairman and CEO Serves the Best Interests of XPO's Stockholders.

At this time, the Board believes that the short-term and long-term interests of the Company's stockholders are best served by Bradley S. Jacobs serving as both Board Chairman and Chief Executive Officer. Mr. Jacobs has an important record of creating significant value for stockholders. Since Mr. Jacobs joined XPO as Chairman and CEO in 2011, XPO's annual revenue has grown from less than \$200 million to more than \$16 billion, making XPO the seventh best-performing stock of the last decade on the Fortune 500, based on Bloomberg market data. Under his leadership, the Company has won numerous accolades, including being named one of the "World's Most Admired Companies" by Fortune magazine and one of "America's Best Employers" by Forbes magazine. On January 15, 2020, Mr. Jacobs underscored his commitment to maximize shareholder value when XPO announced that the Board had authorized a review of strategic alternatives, including the possible sale or spin-off of one or more of XPO's business units. The strategic alternatives review demonstrates the agility with which Mr. Jacobs can focus on creating value for shareholders, while remaining intensely committed to the satisfaction of our customers and employees. The Board believes that Mr. Jacobs' leadership in both his Board and executive roles has been critical to the success of XPO's business and culture, and that separating the roles would be deleterious in both the near-term and the long-term and would unduly risk the speed and quality of the Company's decision-making process.

XPO Has a Robust Governance Structure that Ensures Independent Oversight of Management.

The Company's robust corporate governance structure enables the Board to strike the right balance between decisive leadership and rigorous independent oversight of management. The current Board composition is highly independent. Currently eight out of XPO's nine directors are independent, four of whom have been added to the Board since 2016. Furthermore, the Board's committees and the committee chairs are comprised solely of independent directors. The charters of

these committees require that all members be independent, with the sole exception of the Acquisition Committee. However, the current members of the Acquisition Committee are also all independent.

To complement the roles of the committees and the committee chairs in providing effective independent oversight, the Board has established two leadership positions for independent directors—the Lead Independent Director and the Vice Chairman.

The authorities and duties of the Lead Independent Director include, among others: (i) presiding at executive sessions of outside directors and at meetings of the Board where the Chairman is not present; (ii) coordinating with the Chairman with respect to meeting agendas and approving final meeting agendas; (iii) coordinating with the Chairman as to appropriate Board meeting schedules to ensure sufficient time for discussion of all agenda items; (iv) coordinating with the Chairman on the materials sent to the Board, and approving final meeting materials; (v) calling and chairing sessions of the Independent Directors; (vi) ensuring availability for direct stockholder communication as appropriate, if requested by major stockholders; and (vii) serving as a liaison between the Chairman and the non-management directors.

Michael Jesselson, an independent director who has an exemplary record as a director of XPO and who has substantial public company board experience, has served as the Lead Independent Director since 2016. The Board believes that the position of Lead Independent Director has served as an effective balance to the dual role served by Mr. Jacobs.

In early 2019, the Board established an independent Vice Chairman position as part of its ongoing commitment to strong corporate governance. The position of Vice Chairman is defined as an independent director with authorities and duties that include, among others: (i) presiding at meetings of the Board where the Chairman and the Lead Independent Director are not present; (ii) assisting the Chairman, when appropriate, in carrying out his or her duties; (iii) assisting the Lead Independent Director, when appropriate, in carrying out his or her duties; and (iv) such other duties, responsibilities and assistance as the Board or the Chairman may determine.

AnnaMaria DeSalva, an independent director who has a wealth of experience with public policy development, has served as Vice Chairman of the Board since February 2019. In this role, Ms. DeSalva provides support on key governance matters and stockholder engagement to the Chairman, the Lead Independent Director and the rest of the Board.

To encourage open discussion without management's influence, XPO's Corporate Governance Guidelines (available on the Company's corporate website at www.xpo.com under the Investors tab) require that non-management directors meet one or more times annually without the presence of management. To further facilitate independent oversight, the Corporate Governance Guidelines provide for Board members' unfettered access to senior XPO officers and outside advisors, and also require directors to "exercise appropriate diligence in making decisions and in overseeing management of the Company . . . based on the best interests of the Company and its stockholders and without regard to any personal interest."

As a result of these strong governance practices, the independent oversight of management and of issues of fundamental importance to the Company is already delegated to the Board's independent directors, including two independent directors who are part of the Board's mandated leadership structure.

XPO's Existing Governance Structure Strikes the Right Balance Between Ensuring Independent Oversight of Management and Not Limiting the Board's Imperative Flexibility.

As the Company's Board of Directors has repeatedly demonstrated over the years, the Board takes matters of corporate governance very seriously and believes that an appropriate balance already exists between Mr. Jacobs' effective leadership and the robust corporate governance practices in effect. The Board of Directors of XPO also believes that the Company should maintain the flexibility to select the most appropriate Board structure based on myriad internal and external factors. The proposal, which requires that the Chairman be an independent director who has not previously served as an executive officer of the Company, would unduly restrict the Board from determining the best structure at a particular time and, thus, would not be in the best interests of the Company and its stockholders. The Board's opinion in this matter is the product of its regular evaluations of Board policies, as well as its careful consideration of the proposal at hand.

Therefore, the Board believes that this proposal is both unnecessary and not in the best interests of XPO's stockholders, particularly as it would deprive the Board of the flexibility required to exercise its business judgment in selecting the most qualified and appropriate individuals to lead the Board.

For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 6.

REQUIRED VOTE

Approval of a policy requiring that the chairman of the Board of Directors be appointed from among independent directors requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.

Proposal 7: Stockholder Proposal Regarding Ways to Strengthen the Prevention of Workplace Sexual Harassment and Align Senior Executive Compensation Incentives

We have been notified that the Service Employees International Union Pension Plans Master Trust, 1800 Massachusetts Ave., NW Washington, D.C. 20036 expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of December 12, 2019, it was the beneficial owner of 3,015 shares of the company's common stock, with an approximate value of \$258,000, and that it intends to hold at least the minimum number of shares of the company's common stock required by the SEC through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

PROPOSAL

RESOLVED: That shareholders of XPO Logistics ("XPO") urge the Board of Directors to strengthen XPO's prevention of workplace sexual harassment by formalizing the Board's oversight responsibility, aligning senior executive compensation incentives, reviewing (and if necessary overseeing revision of) company policies, and reporting to shareholders by December 31, 2020 on actions taken (omitting confidential and proprietary information, as well as facts relevant to claims against XPO of which XPO has notice).

SUPPORTING STATEMENT: Recently, workplace sexual harassment has generated substantial attention from the media and policy makers and has spurred significant public debate. The high-profile #metoo social media hashtag, and sexual harassment claims involving public figures like Bill O'Reilly, Steve Wynn, and Les Moonves, have highlighted the prevalence and impact of harassment. The proportion of Americans who believe workplace sexual harassment is a serious problem increased from 47% in 2011 to 64% in 2017. (Cornerstone)

Workplace sexual harassment can damage companies in several ways. First, it may harm corporate reputation, alienating consumers. A recent study reported in the Harvard Business Review found that a single sexual harassment claim makes a company seem less equitable and that sexual harassment, more than financial misconduct, is perceived as evincing a problematic corporate culture. (https://hbr.org/2018/06/research-how-sexual-harassment-affects-a-companys-public-image?utm_source=twitter&utm_campaign=hbr&utm_medium=social)

As well, a company whose corporate culture tolerates sexual harassment tends to have higher turnover and less productive employees. The Center for American Progress estimates median turnover costs at 21% of an employee's annual salary. Productivity can fall due to absenteeism, lower motivation, greater conflict and avoiding interaction with harassers. (https://law.vanderbilt.edu/phd/faculty/joni-hersch/2015_Hersch_Sexual_Harassment_in_the_Workplace_IZAWOL_Oct15.pdf)

Sexual harassment allegations can also lead to declines in share value. For example, the market capitalization of Wynn Resorts dropped by \$3 billion over two days after sexual harassment allegations against CEO Steve Wynn surfaced. (<https://www.marketwatch.com/story/wynn-resorts-shares-tank-after-report-of-sexual-misconduct-by-owner-steve-wynn-2018-01-26>)

Robust board oversight is especially important at XPO following multiple reports of sexual harassment, as well as gender and pregnancy discrimination—prompting calls for an investigation by 97 U.S. House Representatives. In 2018, at least 12 women at three XPO warehouses filed charges with the Equal Employment Opportunity Commission alleging sexual harassment and discrimination by supervisors, and in certain cases retaliation. In September, the New York Times published a front-page investigation into a spate of miscarriages at a Memphis warehouse currently operated by XPO. The report, which prompted inquiries from nine U.S. Senators into pregnancy discrimination at XPO, asserts that many of the women involved were denied doctor requests for modified work. Accounts of sexual harassment, gender bias, and pregnancy discrimination have also arisen at an XPO run warehouse in Guadalajara, Spain. The Memphis XPO Warehouse was featured in a story by John Oliver HBO show "Last Week Tonight" in July 2019, that shows the looseness of the investigation into the issues at the warehouse and how the company finally acknowledges that there is no written reporting on the Memphis investigation (<https://www.commercialappeal.com/story/news/2019/07/03/john-oliver-mentions-memphis-xpo-logistics-having-poor-working-conditions-hbo/1637644001/>)

We urge shareholders to support this proposal.

STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

The Board of Directors Unanimously Recommends a Vote Against the Stockholder Proposal No. 7

The Board of Directors of XPO has reviewed the proposal and the Company's existing policies and practices with respect to the prevention of sexual harassment. As explained in more depth below, XPO's existing policies and procedures already provide a robust framework to prevent any kind of workplace harassment, including sexual harassment, and thus the Board believes the proposal is unnecessary.

The Board Has Already Formalized Its Oversight Role in the Company's Policies and Public Disclosures.

With regard to the prevention of workplace harassment, including sexual harassment, the Board has already defined its oversight role in a clear and sufficient manner in the Company's policies and public disclosures. The Board has established the Company's Code of Business Ethics and other Business Ethics Policies (including the No Discrimination, Harassment or Retaliation Policy) that expressly focus on preventing sexual harassment and discrimination.

In addition, as disclosed in this Proxy Statement, the Board provides overall risk oversight with a focus on the most significant risks facing the Company, and regularly discusses current and potential risks and approaches for assessing, monitoring, mitigating and controlling risk exposure. To assist with the Board's risk oversight function, the Board has established four committees, including the Audit Committee, which is specifically responsible for supporting the Board's oversight of the Company's compliance with legal and regulatory requirements, including the prevention of sexual harassment. Such responsibility of the Audit Committee is clearly delineated in its charter.

XPO's Executive Compensation Structure Is Aligned with the Interests of XPO's Stockholders.

The Board has already addressed the second request of the proposal; that is, "aligning senior executive compensation incentives." Putting aside the proposal's critical flaw of not providing clarity on what kind of alignment would be expected, the Board has already implemented a compensation structure that strikes an appropriate balance in motivating senior executives to deliver long-term results for the Company's stockholders, while simultaneously holding its senior leadership team accountable. The Company's executive compensation consists of fixed base salaries and variable incentive compensation in the form of annual cash incentives and equity grants that emphasize pay for performance and, in the case of equity-based grants, achievement of long-term performance goals.

Specifically, with regard to the Company's named executive officers (NEOs), the total reward package for each NEO reflects assessments of individual responsibilities, contributions to corporate performance, the company's trend on total stockholder return and overall company success in reaching strategic goals. The Company has also established a broad clawback policy, under which the Company may recoup executive compensation in the event of certain misconduct that violates Company policies. Accordingly, the Company has already aligned its senior executive compensation incentives with the interests of the Company's stockholders.

XPO Has Already Established Policies and Procedures to Prevent Workplace Sexual Harassment.

The Company has already established policies and procedures intended to prevent any kind of workplace harassment, including sexual harassment. The Company's Code of Business Ethics makes it clear that the Company does not tolerate harassment or discrimination on the basis of any protected category or class and that the Company's employees, officers and directors must not engage in any abusive, harassing or offensive conduct, whether verbal, physical or visual. XPO employees are introduced to the Code of Business Ethics during their new-hire orientation process and provided a copy of the Code of Business Ethics as part of their new-hire package of information. In 2019, more than 37,000 employees completed a mandatory training course dedicated to refreshing their awareness and understanding of the Code of Business Ethics.

The Company has a No Discrimination, Harassment or Retaliation Policy (the "Policy") to further reinforce the prevention of workplace harassment. The Policy provides for, among other things, the prohibition of discrimination, harassment or retaliation in the workplace; the prompt investigation of all claims of discrimination, harassment or retaliation; and appropriate remedial action, up to and including dismissal. The Policy, together with the Company's Code of Business Ethics, also sets forth specific reporting procedures that include the Ethics Hotline, where concerns can be reported anonymously if desired by employees. Like the refresher training on the Company's Code of Business Ethics, XPO provided refresher training in 2019 and early 2020 for nearly 70,000 employees on the Policy. The Respect in the Workplace training met federal and state requirements and described the Company's policies regarding workplace harassment, discrimination and retaliation and reinforced the numerous reporting procedures available to all employees.

Taken together, the Code of Business Ethics, Policy, Ethics Hotline, employee training and supporting communications that are posted in XPO workplaces provide a robust framework to continuously address any potential incidence of harassment, discrimination or retaliation throughout the Company.

To ensure that all employees of the Company understand and comply with the Company's values and rules of conduct, the Company distributes an Employee Handbook to each employee upon hiring and makes the Employee Handbook available via an online employee portal. The Employee Handbook explains the internal policies of the Company in detail, including the Code of Business Ethics and the Policy. The Employee Handbook is reviewed annually by Company management; it was most recently reviewed and updated in February 2020.

The Company also regularly reviews and supplements its policies as needed, and the Board participates in various reviews and advises management regarding these topics. For example, when allegations were raised in 2018 related to the Company's pregnancy accommodation practices, the Company engaged Tina Tchen, former Chief of Staff to First Lady Michelle Obama and Executive Director of the White House Council on Women and Girls, to assess the Company's implementation of its accommodation policy. While Ms. Tchen found no wrong-doing by the Company, she recommended

additional education and training of supervisors and workers, which the Company immediately implemented. In advance of Ms. Tchen's review, the Company adopted a new Pregnancy Care Policy that far exceeds any federal, state or local requirements and is one of the most progressive policies in the country.

Since being enacted on January 1, 2019, the Company has granted more than 1,135 accommodations to over 600 pregnant employees, 85% of whom are hourly employees. In conjunction with the introduction of the new Pregnancy Care Policy, the Company also enacted a Family Bonding Policy on January 1, 2019 to provide paid leave for parents to bond with their newborn or newly adopted child. Primary caregivers receive 100% of pay for six weeks, and secondary caregivers receive 100% of pay for two weeks. In 2019, 1,216 employees utilized the paid parental leave benefit, including 355 primary caregivers, 245 of whom are female and 110 of whom are male.

The Board believes that the Company's policies effectively articulate and implement its longstanding support for, and continued commitment to, the prevention of sexual harassment, and therefore adoption of the proposal would not provide any additional benefits or safeguards. For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 7.

REQUIRED VOTE

Approval of a policy requiring the company to adopt measures to strengthen prevention of workplace sexual harassment and align senior executive compensation incentives requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.

Proposal 8: Stockholder Proposal Regarding Acceleration of Executive Equity Awards in the Case of a Change in Control

We have been notified that the CtW Investment Group, 1900 L Street NW, Suite 900, Washington, D.C. 20036 expects to introduce and support the following proposal at the Annual Meeting. This stockholder proponent has provided certification indicating that, as of December 20, 2019, it was the beneficial owner of 38 shares of the company's common stock, with an approximate value of \$3,300, and that it intends to hold at least the minimum number of shares of the company's common stock required by the SEC through the date of the Annual Meeting. We are not responsible for the content of the stockholder proposal and the stockholder proponent's supporting statement, which are set forth below as they were submitted to us.

PROPOSAL

RESOLVED: The shareholders ask the Board of Directors of XPO Logistics, Inc. to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award granted to any senior executive officer, provided, however, that the Board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, *pro rata* basis up to the time of the senior executive officer's termination, with such qualifications for an award as the Committee may determine.

For purposes of this Policy, "equity award" means an award granted under an equity incentive plan as defined in Item 402 of the SEC's Regulation S-K, which addresses elements of executive compensation to be disclosed to shareholders. This resolution shall be implemented so as not to affect any contractual rights in existence on the date this proposal is adopted, and it shall apply only to equity awards made under equity incentive plans or plan amendments that shareholders approve after the date of the 2020 annual meeting.

SUPPORTING STATEMENT: XPO Logistics ("Company") allows senior executives to receive an accelerated award of unearned equity under certain conditions after a change of control of the Company. We do not question that some form of severance payments may be appropriate in that situation. We are concerned, however, that current practices at the Company may permit windfall awards that have nothing to do with an executive's performance.

According to last year's proxy statement, a change in control could have accelerated the vesting of approximately \$60 million worth of long-term equity to the Company's five senior executives, with Chairman and Chief Executive Officer Bradley Jacobs entitled to over \$38 million.

We are unpersuaded by the argument that executives somehow "deserve" to receive unvested awards. To accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn those shares seems inconsistent with a "pay for performance" philosophy worthy of the name.

We do believe, however, that an affected executive should be eligible to receive an accelerated vesting of equity awards on a *pro rata* basis as of his or her termination date, with the details of any *pro rata* award to be determined by the Compensation Committee.

According to Institutional Shareholder Services, 38% of Russell 3000 companies prohibited equity acceleration of performance based shares upon a change of control in 2018.

We urge you to vote FOR this proposal.

STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

The Board of Directors Unanimously Recommends a Vote Against Stockholder Proposal No. 8

The Current Structure of Equity Awards Aligns the Interests of our Senior Executives and Stockholders, Encourages Stability During a Potential Change in Control, and Rewards Executives for their Performance.

As we describe in detail in the section of this Proxy Statement titled "Executive Compensation—Compensation Discussion and Analysis," our compensation program for senior executives is premised on our dedication to our pay-for-performance culture and our commitment to align executive compensation with long-term stockholder value. We believe that our Compensation Committee, which is composed entirely of independent directors, is best suited to design and implement executive compensation arrangements that are appropriate for our Company and our stockholders, including with respect to the treatment of equity awards in connection with a change in control.

The proponent attempts to preemptively bind the Compensation Committee with respect to a singular element of our executive compensation program. The proposal would prohibit the Compensation Committee from providing for accelerated vesting of unvested equity awards held by senior executive officers upon the occurrence of a change in control and permit only *pro rata* vesting of equity awards up to the time of a senior executive officer's termination of employment following a change in control. In the context of a potential change in control, any perceived lack of protection of the value of unvested equity awards can create conflicts of interest and distractions because of uncertainty that may arise for executives, such as loss of job security. Accelerated equity award vesting can eliminate potential disincentives for executives to forego pursuing a change in control

transaction that would benefit stockholders. In particular, accelerated vesting aligns the interests of stockholders and executives by allowing key decision makers to remain objective and focused on maximizing stockholder value up to and following a potential change in control. The Compensation Committee should be able to exercise its business judgment to determine whether, and under what circumstances, the accelerated vesting of equity awards is in the best interest of the Company and our stockholders.

Adopting the Proposal Would Limit the Company's Ability to Attract and Retain Talented Executives.

As indicated in the proponent's supporting statement, pro rata vesting is not market practice—in fact, approximately 86% of companies in the Russell 3000 in 2019 did not prohibit accelerated vesting of performance-based equity awards upon a change in control according to Institutional Shareholder Services. Therefore, limiting the business judgment of the Compensation Committee and adopting the proponent's one-size-fits-all approach could place us at a competitive disadvantage in attracting and retaining senior executives, particularly if a change in control transaction is pending or contemplated.

Further, accelerated vesting of equity awards is an effective way for us to retain our leadership team up to and following a change in control transaction. Retaining senior executives while a change in control transaction is pending can be particularly important to the Company's continued success because the loss of such executives could jeopardize a pending transaction or adversely affect the Company's business prospects or operations if the transaction is not completed. Adopting the proposal could create a significant disadvantage in retaining key executives, which could result in executive turnover that would be detrimental to the Company and our stockholders.

The Company's Demonstrated Commitment to Pay-For-Performance Refutes the Allegations Made in the Proposal

Although we believe many of the assertions in the proponent's supporting statement are irrelevant to the proposal itself, we want to specifically add context to several misleading statements related to our commitment to our pay-for-performance philosophy. The proponent suggests that accelerated vesting of equity awards is premised on our belief that executives are denied the opportunity to earn those shares in the event of a change in control transaction. However, it is for the reasons articulated above and in the Compensation Discussion and Analysis section of our proxy statement that our Board believes that the current structure of the Company's executive compensation awards is appropriate and effective. Moreover, the proponent fails to acknowledge our continued commitment to our pay-for-performance philosophy. For example, the Company's executive compensation program consists of fixed base salaries and variable incentive compensation in the form of annual cash incentives and equity grants that emphasize pay for performance. In addition, the total reward package for each named executive officer reflects an assessment of individual responsibilities, contributions to corporate performance, the Company's trend on total stockholder return, and the Company's overall success in achieving its strategic goals. Further, all of the outstanding equity awards granted to Mr. Jacobs, Mr. Cooper and Mr. Harik are performance-based, demonstrating our Company's strong commitment to aligning executive compensation with long-term stockholder value.

Accordingly, our Board believes that the current structure of our executive compensation program, including the provisions related to accelerated vesting of equity awards, appropriately reflects our pay-for-performance philosophy, aligning the interests of our executives with those of our stockholders and allowing us to attract and retain talented executives.

For these reasons, the Board of Directors unanimously urges stockholders to vote AGAINST Proposal No. 8.

REQUIRED VOTE

Approval of a policy requiring that in the event of a change in control there shall be no acceleration of vesting of senior executive officers' equity awards requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the Annual Meeting at which a quorum is present.

RECOMMENDATION

Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.

OTHER MATTERS

We do not expect that any matter other than the foregoing proposals will be brought before the 2020 Annual Meeting. If, however, such a matter is properly presented at the Annual Meeting or any adjournment or postponement of the Annual Meeting, the persons appointed as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, in accordance with their judgment.

ADDITIONAL INFORMATION

AVAILABILITY OF ANNUAL REPORT AND PROXY STATEMENT

If you would like to receive a copy of our 2019 Annual Report or this Proxy Statement, please contact us at: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, CT 06831 or by telephone at 1-855-976-6951, and we will send a copy to you without charge.

A NOTE ABOUT OUR WEBSITE

Although we include references to our website (www.xpo.com) throughout this proxy statement, information that is included on our website is not incorporated by reference into, and is not a part of, this proxy statement. Our website address is included as an inactive textual reference only.

We use our website as one means of disclosing material non-public information and for complying with our disclosure obligations under the SEC's Regulation FD. Such disclosures typically will be included within the Investor Relations section of our website. Accordingly, investors should monitor the Investor Relations section of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

ANNEX A - RECONCILIATION OF NON-GAAP MEASURES

CONSOLIDATED RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED EBITDA (DOLLARS IN MILLIONS)

Years Ended December 31,

	2019	2018	2017	2016	2015	2012
Net income (loss) attributable to common shareholders	\$379	\$390	\$312	\$63	\$(246)	\$(23)
Preferred stock beneficial conversion charge	—	—	—	—	52	—
Distributed and undistributed net income	40	32	28	6	3	3
Net income attributable to noncontrolling interests	21	22	20	16	(1)	—
Net income (loss)	440	444	360	85	(192)	(20)
Debt commitment fees	—	—	—	—	20	—
Debt extinguishment loss	5	27	36	70	—	—
Other interest expense	292	217	284	361	187	3
Loss on conversion of convertible senior notes	—	—	1	—	10	—
Income tax provision (benefit)	129	122	(99)	22	(91)	(11)
Accelerated amortization of trade names	—	—	—	—	2	—
Depreciation and amortization expense	739	716	658	643	363	2
Unrealized loss (gain) on foreign currency option and forward contracts	9	(20)	49	(36)	3	—
EBITDA	\$1,614	\$1,506	\$1,289	\$1,145	\$302	\$(26)
Transaction, integration and rebranding costs	5	33	78	103	201	—
Restructuring costs	49	21	—	—	—	—
Litigation costs	—	26	—	—	—	—
Gain on sale of equity investment	—	(24)	—	—	—	—
Gain on sale of intermodal equipment	—	—	—	—	(10)	—
Adjusted EBITDA	\$1,668	\$1,562	\$1,367	\$1,248	\$493	\$(26)
Adjusted EBITDA divested North American Truckload business	—	—	—	80	19	—
Adjusted EBITDA excluding Truckload	\$1,668	\$1,562	\$1,367	\$1,168	\$474	\$(26)

CONSOLIDATED RECONCILIATION OF GAAP NET INCOME AND NET INCOME PER SHARE TO ADJUSTED NET INCOME AND ADJUSTED NET INCOME PER SHARE
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Years Ended December 31,	
	2019	2018
GAAP net income attributable to common shareholders	\$379	\$390
Debt extinguishment loss	5	27
Unrealized loss (gain) on foreign currency option and forward contracts	9	(20)
Impairment of customer relationship intangibles	6	—
Transaction, integration and rebranding costs	5	33
Restructuring costs	49	21
Litigation costs	—	26
Gain on sale of equity investment	—	(24)
Income tax associated with the adjustments above	(18)	(15)
Impact of noncontrolling interests on above adjustments	(2)	(2)
Allocation of undistributed earnings	(5)	(4)
Adjusted net income attributable to common shareholders	\$428	\$432
Adjusted basic earnings per share	\$4.46	\$3.51
Adjusted diluted earnings per share	\$4.03	\$3.19
Weighted-average common shares outstanding		
Basic weighted-average common shares outstanding	96	123
Diluted weighted-average common shares outstanding	106	135

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO FREE CASH FLOW
(DOLLARS IN MILLIONS)

	Years Ended December 31,	
	2019	2018
Net cash provided by operating activities	\$791	\$1,102
Cash collected on deferred purchase price receivable	186	—
Adjusted net cash provided by operating activities	977	1,102
Payment for purchases of property and equipment	(601)	(551)
Proceeds from sale of property and equipment	252	143
Free Cash Flow	\$628	\$694

RECONCILIATION OF REVENUE TO ORGANIC REVENUE
(DOLLARS IN MILLIONS)

	Years Ended December 31,	
	2019	2018
Revenue	\$16,648	\$17,279
Fuel	(1,704)	(1,788)
Direct postal injection revenue	(40)	(253)
Foreign exchange rates	344	—
Organic revenue	\$15,248	\$15,238
Organic revenue growth ⁽¹⁾	0.1%	

⁽¹⁾ Organic revenue growth is calculated as the relative change in year-over-year organic revenue, expressed as a percentage of 2018 organic revenue.

RECONCILIATION OF TRANSPORTATION OPERATING INCOME TO ADJUSTED EBITDA
(DOLLARS IN MILLIONS)

	Years Ended December 31,	
	2019	2018
Operating income	\$752	\$646
Other income (expense)	31	41
Total depreciation and amortization	447	461
EBITDA	\$1,230	\$1,148
Transaction, integration and rebranding costs	3	13
Restructuring costs	32	12
Litigation costs	—	26
Adjusted EBITDA	\$1,265	\$1,199

XPO LOGISTICS NORTH AMERICAN LESS-THAN-TRUCKLOAD ADJUSTED OPERATING RATIO
(DOLLARS IN MILLIONS)

	Years Ended December 31,	
	2019	2018
Revenue (excluding fuel surcharge revenue)	\$3,259	\$3,230
Fuel surcharge revenue	532	552
Revenue	3,791	3,782
Salaries, wages and employee benefits	1,786	1,754
Purchased transportation	397	400
Fuel and fuel-related taxes	264	293
Other operating expenses	363	476
Depreciation and amortization	227	243
Maintenance	102	102
Rents and leases	49	44
Purchased labor	6	12
Operating income	597	458
Operating ratio	84.3%	87.9%
Restructuring costs	3	3
Amortization expense	34	33
Other income	22	29
Adjusted operating income	\$656	\$523
Adjusted operating ratio	82.7%	86.2%

NON-GAAP FINANCIAL MEASURES

As required by the rules of the Securities and Exchange Commission (“SEC”), we provide reconciliations of the non-GAAP financial measures contained in this proxy statement to the most directly comparable measure under GAAP, which are set forth in the financial tables above.

XPO’s non-GAAP financial measures used in this proxy statement include: earnings before interest, taxes, depreciation and amortization (“EBITDA”), adjusted EBITDA and adjusted EBITDA excluding Truckload on a consolidated basis; free cash flow; adjusted net income attributable to common shareholders and adjusted earnings per share (basic and diluted) (“adjusted EPS”); adjusted operating income and adjusted operating ratio for our North American less-than-truckload business and organic revenue growth on a consolidated basis.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments’ core operating performance, and may assist investors with comparisons to prior periods and assessing trends in our underlying businesses. Other companies may calculate these non-GAAP financial measures differently, and therefore our measures may not be comparable

to similarly titled measures of other companies. These non-GAAP financial measures should only be used as supplemental measures of our operating performance.

Adjusted EBITDA, adjusted net income attributable to common shareholders and adjusted EPS include adjustments for transaction, integration and rebranding costs, restructuring costs, litigation costs for independent contractor matters, the gain on sale of an equity investment and the gain on sale of intermodal equipment. Transaction and integration adjustments are generally incremental costs that result from an actual or planned acquisition and include transaction costs, acquisition and integration consulting fees, internal salaries and wages (to the extent the individuals are assigned full-time to integration and transformation activities) and certain costs related to integrating and converging IT systems. Rebranding adjustments primarily relate to the rebranding of the XPO Logistics name on our truck fleet and buildings. Restructuring costs primarily relate to severance costs associated with business optimization initiatives. Litigation costs refer to settlement and related costs associated with independent contractor claims in our last mile business. The gain on sale of an equity investment relates to the sale of a non-strategic equity ownership interest in a private company. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating XPO's and each business segment's ongoing performance.

We believe that free cash flow is an important measure of our ability to repay maturing debt or fund other uses of capital that we believe will enhance stockholder value. We believe that EBITDA, adjusted EBITDA and adjusted EBITDA excluding Truckload improve comparability from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts and other adjustments as set out in the attached tables that management has determined are not reflective of core operating activities and thereby assist investors with assessing trends in our underlying businesses. We believe that adjusted net income attributable to common shareholders and adjusted EPS improve the comparability of our operating results from period to period by removing the impact of certain costs and gains that management has determined are not reflective of our core operating activities. We believe that adjusted operating income and adjusted operating ratio for our North American less-than-truckload business improve the comparability of our operating results from period to period by (i) removing the impact of certain transaction, integration, restructuring and rebranding costs and amortization expenses and, (ii) including the impact of pension income incurred in the reporting period as set out in the attached tables. We believe that organic revenue is an important measure because it excludes the following items: foreign currency exchange rate fluctuations, fuel surcharges and revenue associated with our direct postal injection service in last mile.

ANNEX B - AMENDMENT TO THE XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

XPO LOGISTICS, INC. AMENDMENT NO. 2 TO THE 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

THIS AMENDMENT NO. 2 (this "Amendment") to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the "Board") of XPO Logistics, Inc., a Delaware corporation (the "Company"), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company's stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company's stockholders at the annual meeting of stockholders held on May 14, 2020 (the date of such approval, the "Effective Date").

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:
"Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 6,550,000, (the "Plan Share Limit"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "Plan ISO Limit")."
2. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
3. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

ANNEX C - XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

XPO LOGISTICS, INC. 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

SECTION 1. *Purpose.* The purpose of this XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (the “Plan”) is to promote the interests of the Company and its stockholders by (a) attracting and retaining exceptional directors, officers, employees and consultants (including prospective directors, officers, employees and consultants) of the Company (as defined below) and its Affiliates (as defined below) and (b) enabling such individuals to participate in the long-term growth and financial success of the Company. This Plan is intended to replace the Prior Company Plan and the Prior Con-way Plan (each as defined below and, together, the “Prior Plans”), which Prior Plans shall be frozen with respect to future grants on the Approval Date (as defined below). The Prior Company Plan (as originally adopted and prior to its amendment and restatement in 2012) previously replaced and superseded the Option Plan (as defined below). Notwithstanding the foregoing, any awards granted under the Prior Plans or the Option Plan shall remain in effect pursuant to their respective terms.

SECTION 2. *Definitions.* As used herein, the following terms shall have the meanings set forth below:

“*Affiliate*” means (a) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and/or (b) any entity in which the Company has a significant equity interest, in either case, as determined by the Committee.

“*Approval Date*” means December 20, 2016, the date on which the Plan is approved by the Company’s stockholders.

“*Award*” means any award that is permitted under SECTION 6 and was granted under the Plan or the Prior Plans and any award that is permitted under Article 6 of the Option Plan and was granted under the Option Plan.

“*Award Agreement*” means any written or electronic agreement, contract or other instrument or document evidencing any Award, which may (but need not) require execution or acknowledgment by a Participant.

“*Applicable Exchange*” means the New York Stock Exchange LLC or any other national stock exchange or quotation system on which the Shares may be listed or quoted.

“*Board*” means the Board of Directors of the Company.

“*Cash Incentive Award*” means an Award (a) that is granted pursuant to SECTION 6(g) of the Plan, (b) that is settled in cash and (c) the value of which is set by the Committee and is not calculated by reference to the Fair Market Value of Shares.

“*Change of Control*” shall (a) have the meaning set forth in an Award Agreement; *provided, however*, that except in the case of a transaction described in subparagraph (b)(iii) below, any definition of Change of Control set forth in an Award Agreement shall provide that a Change of Control shall not occur until consummation or effectiveness of a change in control of the Company, rather than upon the announcement, commencement, stockholder approval or other potential occurrence of any event or transaction that, if completed, would result in a change in control of the Company, or (b) if there is no definition set forth in an Award Agreement, mean the occurrence of any of the following events:

(i) during any period, individuals who were directors of the Company on the first day of such period (the “*Incumbent Directors*”) cease for any reason to constitute a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the first day of such period whose election, or nomination by the Board for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors shall be considered as though such individual were an Incumbent Director, but excluding for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (including without limitation any settlement thereof);

(ii) the consummation of (A) a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (each of the events referred to in this clause (A) being hereinafter referred to as a “*Reorganization*”) or (B) the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate (a “*Sale*”), in each case, if such Reorganization or Sale requires the approval of the Company’s stockholders under the law of the Company’s jurisdiction of organization (whether such approval is required for such Reorganization or Sale or for the issuance of securities of the Company in such Reorganization or Sale), unless, immediately following such Reorganization or Sale, (1) individuals and entities who were the “beneficial owners” (as such term is defined in Rule 13d-3 under the Exchange Act (or a successor rule thereto)) of the securities eligible to vote for the election of the Board (“*Company Voting Securities*”) outstanding immediately prior to the consummation of such

Reorganization or Sale continue to beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Reorganization or Sale (including a corporation that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (the "*Continuing Company*") in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale (excluding, for such purposes, any outstanding voting securities of the Continuing Company that such beneficial owners hold immediately following the consummation of the Reorganization or Sale as a result of their ownership prior to such consummation of voting securities of any corporation or other entity involved in or forming part of such Reorganization or Sale other than the Company), (2) no "person" (as such term is used in Section 13(d) of the Exchange Act) (each, a "*Person*") (excluding (x) any employee benefit plan (or related trust) sponsored or maintained by the Continuing Company or any corporation controlled by the Continuing Company and (y) any one or more Specified Stockholders) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then outstanding voting securities of the Continuing Company and (3) at least 50% of the members of the board of directors of the Continuing Company (or equivalent body) were Incumbent Directors at the time of the execution of the definitive agreement providing for such Reorganization or Sale or, in the absence of such an agreement, at the time at which approval of the Board was obtained for such Reorganization or Sale;

(iii) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company unless such liquidation or dissolution is part of a transaction or series of transactions described in paragraph (ii) above that does not otherwise constitute a Change of Control; or

(iv) any Person, corporation or other entity or "group" (as used in Section 14(d)(2) of the Exchange Act) (other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or an Affiliate, (C) any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the voting power of the Company Voting Securities or (D) any one or more Specified Stockholders, including any group in which a Specified Stockholder is a member) becomes the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company Voting Securities; *provided, however*, that for purposes of this subparagraph (iv), the following acquisitions shall not constitute a Change of Control: (w) any acquisition directly from the Company, (x) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate, (y) any acquisition by an underwriter temporarily holding such Company Voting Securities pursuant to an offering of such securities or any acquisition by a pledgee of Company Voting Securities holding such securities as collateral or temporarily holding such securities upon foreclosure of the underlying obligation or (z) any acquisition pursuant to a Reorganization or Sale that does not constitute a Change of Control for purposes of subparagraph (ii) above.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"*Committee*" means the Compensation Committee of the Board or a subcommittee thereof, or such other committee of the Board as may be designated by the Board to administer the Plan.

"*Company*" means XPO Logistics, Inc., a corporation organized under the laws of Delaware, together with any successor thereto.

"*Deferred Share Unit*" means a deferred share unit Award that represents an unfunded and unsecured promise to deliver Shares in accordance with the terms of the applicable Award Agreement.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute thereto, and the regulations promulgated thereunder.

"*Exercise Price*" means (a) in the case of each Option, the price specified in the applicable Award Agreement as the price-per-Share at which Shares may be purchased pursuant to such Option or (b) in the case of each SAR, the price specified in the applicable Award Agreement as the reference price-per-Share used to calculate the amount payable to the applicable Participant pursuant to such SAR.

"*Fair Market Value*" means, except as otherwise provided in the applicable Award Agreement, (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to Shares as of any date, (i) the closing per-share sales price of the Shares as reported by the Applicable Exchange for such stock exchange for such date or if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

"*Incentive Stock Option*" means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is intended to qualify for special Federal income tax treatment pursuant to Sections 421 and 422 of the Code, as now constituted or subsequently amended, or pursuant to a successor provision of the Code, and which is so designated in the applicable Award Agreement.

“*Independent Director*” means a member of the Board (a) who is neither an employee of the Company nor an employee of any Affiliate, and (b) who, at the time of acting, is a “Non-Employee Director” under Rule 16b-3.

“*Nonqualified Stock Option*” means an option to purchase Shares from the Company that (a) is granted under SECTION 6(b) of the Plan and (b) is not an Incentive Stock Option.

“*Option*” means an Incentive Stock Option or a Nonqualified Stock Option or both, as the context requires.

“*Option Plan*” means the Express-1 Expedited Solutions, Inc. Amended and Restated 2001 Stock Option Plan.

“*Participant*” means any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or its Affiliates who is eligible for an Award under SECTION 5 and who is selected by the Committee to receive an Award under the Plan or who receives a Substitute Award pursuant to SECTION 4(c).

“*Performance Compensation Award*” means any Award designated by the Committee as a Performance Compensation Award pursuant to SECTION 6(e) of the Plan.

“*Performance Criteria*” means the criterion or criteria that the Committee shall select for purposes of establishing the Performance Goal(s) for a Performance Period with respect to any Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award under the Plan.

“*Performance Formula*” means, for a Performance Period, the one or more objective formulas applied against the relevant Performance Goal to determine, with regard to the Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award of a particular Participant, whether all, some portion but less than all, or none of such Award has been earned for the Performance Period.

“*Performance Goal*” means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon the Performance Criteria.

“*Performance Period*” means the one or more periods of time as the Committee may select over which the attainment of one or more Performance Goals shall be measured for the purpose of determining a Participant’s right to and the payment of a Performance Compensation Award, Performance Unit or, if applicable, Cash Incentive Award.

“*Performance Unit*” means an Award under SECTION 6(f) of the Plan that has a value set by the Committee (or that is determined by reference to a valuation formula specified by the Committee or the Fair Market Value of Shares), which value may be paid to the Participant by delivery of such property as the Committee shall determine, including without limitation, cash or Shares, or any combination thereof, upon achievement of such Performance Goals during the relevant Performance Period as the Committee shall establish at the time of such Award or thereafter.

“*Prior Company Plan*” means the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan.

“*Prior Con-way Plan*” means the Con-way Inc. 2012 Equity and Incentive Plan.

“*Restricted Share*” means a Share that is granted under SECTION 6(d) of the Plan that is subject to certain transfer restrictions, forfeiture provisions and/or other terms and conditions specified herein and in the applicable Award Agreement.

“*RSU*” means a restricted stock unit Award that is granted under SECTION 6(d) of the Plan and is designated as such in the applicable Award Agreement and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property in accordance with the terms of the applicable Award Agreement.

“*Rule 16b-3*” means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act or any successor rule or regulation thereto as in effect from time to time.

“*SAR*” means a stock appreciation right Award that is granted under SECTION 6(c) of the Plan and that represents an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the Exercise Price per Share of the SAR, subject to the terms of the applicable Award Agreement.

“*SEC*” means the Securities and Exchange Commission or any successor thereto and shall include the staff thereof.

“*Shares*” means shares of common stock of the Company, \$0.001 par value, or such other securities of the Company (a) into which such shares shall be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or other similar transaction or (b) as may be determined by the Committee pursuant to SECTION 4(b).

“*Specified Stockholder*” means Bradley S. Jacobs, Jacobs Private Equity LLC and its Affiliates, or any other entity or organization controlled, directly or indirectly, by Bradley S. Jacobs.

“*Subsidiary*” means any entity in which the Company, directly or indirectly, possesses 50% or more of the total combined voting power of all classes of its stock.

“*Substitute Awards*” shall have the meaning specified in SECTION 4(c).

“*Treasury Regulations*” means all proposed, temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

SECTION 3. *Administration.*

(a) *Composition of the Committee.* The Plan shall be administered by the Committee, which shall be composed of one or more directors, as determined by the Board; *provided* that, to the extent necessary to comply with the rules of the Applicable Exchange and Rule 16b-3 and to satisfy any applicable requirements of Section 162(m) of the Code and any other applicable laws or rules, the Committee shall be composed of two or more directors, all of whom shall be Independent Directors and all of whom shall (i) qualify as “outside directors” under Section 162(m) of the Code and (ii) meet the independence requirements of the Applicable Exchange.

(b) *Authority of the Committee.* Subject to the terms of the Plan and applicable law, and in addition to the other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have sole and plenary authority to administer the Plan, including the authority to (i) designate Participants, (ii) determine the type or types of Awards to be granted to a Participant, (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Awards, (iv) determine the terms and conditions of any Awards, (v) determine the vesting schedules of Awards and, if certain performance criteria must be attained in order for an Award to vest or be settled or paid, establish such performance criteria and certify whether, and to what extent, such performance criteria have been attained, (vi) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended, (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee, (viii) interpret, administer, reconcile any inconsistency in, correct any default in and/or supply any omission in, the Plan and any instrument or agreement relating to, or Award made under, the Plan, the Prior Plans or the Option Plan, (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, (x) accelerate the vesting or exercisability of, payment for or lapse of restrictions on, Awards, (xi) amend an outstanding Award or grant a replacement Award for an Award previously granted under the Plan, the Prior Plans or the Option Plan if, in its sole discretion, the Committee determines that (A) the tax consequences of such Award to the Company or the Participant differ from those consequences that were expected to occur on the date the Award was granted or (B) clarifications or interpretations of, or changes to, tax law or regulations permit Awards to be granted that have more favorable tax consequences than initially anticipated and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) *Committee Decisions.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole and plenary discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any Affiliate, any Participant, any holder or beneficiary of any Award and any stockholder.

(d) *Indemnification.* No member of the Board, the Committee or any employee of the Company (each such person, a “*Covered Person*”) shall be liable for any action taken or omitted to be taken or any determination made in good faith with respect to the Plan or any Award. Each Covered Person shall be indemnified and held harmless by the Company from and against (i) any loss, cost, liability or expense (including attorneys’ fees) that may be imposed upon or incurred by such Covered Person in connection with or resulting from any action, suit or proceeding to which such Covered Person may be a party or in which such Covered Person may be involved by reason of any action taken or omitted to be taken under the Plan or any Award Agreement and (ii) any and all amounts paid by such Covered Person, with the Company’s approval, in settlement thereof, or paid by such Covered Person in satisfaction of any judgment in any such action, suit or proceeding against such Covered Person; *provided* that the Company shall have the right, at its own expense, to assume and defend any such action, suit or proceeding, and, once the Company gives notice of its intent to assume the defense, the Company shall have sole control over such defense with counsel of the Company’s choice. The foregoing right of indemnification shall not be available to a Covered Person to the extent that a court of competent jurisdiction in a final judgment or other final adjudication, in either case not subject to further appeal, determines that the acts or omissions of such Covered Person giving rise to the indemnification claim resulted from such Covered Person’s bad faith, fraud or willful criminal act or omission or that such right of indemnification is otherwise prohibited by law or by the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, in each case, as may be amended from time to time. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which Covered Persons may be entitled under the Company’s Restated Certificate of Incorporation or Amended and Restated Bylaws, as a matter of law, or otherwise, or any other power that the Company may have to indemnify such persons or hold them harmless.

(e) *Delegation of Authority to Officers.* The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more officers of the Company the authority to make grants of Awards to officers (other than any officer subject to Section 16 of the Exchange Act), employees and consultants of the Company

and its Affiliates (including any prospective officer (other than any such officer who is expected to be subject to Section 16 of the Exchange Act), employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

(f) *Awards to Independent Directors.* Notwithstanding anything to the contrary contained herein, the Board may, in its sole and plenary discretion, at any time and from time to time, grant Awards to Independent Directors or administer the Plan with respect to such Awards. In any such case, the Board shall have all the authority and responsibility granted to the Committee herein.

SECTION 4. *Shares Available for Awards; Cash Payable Pursuant to Awards.*

(a) *Shares and Cash Available.* Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 3,400,000, (the "*Plan Share Limit*"), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the "*Plan ISO Limit*"). If, after the effective date of the Plan, any Award is forfeited (or otherwise expires, terminates or is canceled without the delivery of all Shares subject thereto), then, in any such case, any number of Shares subject to such Award that were not issued with respect to such Award shall not be treated as issued for purposes of reducing the Plan Share Limit. Notwithstanding the foregoing and for the avoidance of doubt, if Shares issued upon exercise, vesting or settlement of an Award are, or Shares owned by a Participant are, surrendered or tendered to the Company in payment of the Exercise Price of an Award (including any SAR) or any taxes required to be withheld in respect of an Award or if any Award based on the Fair Market Value of a Share is settled other than wholly by delivery of Shares (including cash settlement), in any such case, in accordance with the terms and conditions of the Plan and any applicable Award Agreement, such surrendered or tendered Shares or Awards not settled with Shares shall *not* again become available to be delivered pursuant to Awards under the Plan or increase the Plan ISO Limit. With respect to Awards that are intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, subject to adjustment as provided in SECTION 4(b), (1) in the case of Awards that are settled in Shares, the maximum aggregate number of Shares with respect to which Awards may be granted to any Participant in any fiscal year of the Company under the Plan shall be 2,500,000 (such amount, the "*Annual Individual Plan Share Limit*"), and (2) in the case of Awards that are settled in cash based on the Fair Market Value of a Share, the maximum aggregate amount of cash that may be paid pursuant to Awards granted to any Participant in any fiscal year of the Company under the Plan shall be equal to the per-Share Fair Market Value as of the relevant vesting, payment or settlement date multiplied by the Annual Individual Plan Share Limit. In the case of all Awards other than those described in the preceding sentence, the maximum aggregate amount of cash and other property (valued at its Fair Market Value) other than Shares that may be paid or delivered pursuant to Awards under the Plan to any Participant in any fiscal year of the Company shall be equal to \$10,000,000. The maximum value of Shares available to be granted pursuant to Awards to any Independent Director under the Plan in any fiscal year of the Company shall be equal to \$350,000 as of the applicable date of grant. Subject to adjustment as provided in Section 4(b), the maximum number of Shares available to be granted under the Plan pursuant to Incentive Stock Options to any Participant in any fiscal year of the Company shall be equal to 2,500,000 (the "*Annual Individual ISO Limit*").

(b) *Adjustments for Changes in Capitalization and Similar Events.*

(i) In the event of any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Committee shall equitably adjust any or all of (A) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (1) the Plan Share Limit, (2) the Plan ISO Limit, (3) the Annual Individual Plan Share Limit, and (4) the Annual Individual ISO Limit, and (B) the terms of any outstanding Award, including (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (2) the Exercise Price, if applicable, with respect to any Award; *provided, however,* that the Committee shall determine the method and manner in which to effect such equitable adjustment.

(ii) In the event that the Committee determines that any reorganization, merger, consolidation, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares (including any Change of Control) such that an adjustment is determined by the Committee in its discretion to be appropriate or desirable, then the Committee may (A) in such manner as it may deem appropriate or desirable, equitably adjust any or all of (1) the number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted, including (W) the Plan Share Limit, (X) the Plan ISO Limit, (Y) the Annual Individual Plan Share Limit, and (Z) the Annual Individual ISO Limit, and (2) the terms of any outstanding Award, including (X) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate and (Y) the Exercise Price, if applicable, with respect to any Award, (B) if deemed appropriate or desirable by the Committee, make provision for a cash payment to the holder of an outstanding Award in consideration for the cancellation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR

in consideration for the cancellation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (C) if deemed appropriate or desirable by the Committee, cancel and terminate any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

(c) *Substitute Awards.* Awards may, in the discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Affiliates or a company acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines (“*Substitute Awards*”); *provided, however*, that in no event may any Substitute Award be granted in a manner that would violate the prohibitions on repricing of Options and SARs, as set forth in clauses (i), (ii) and (iii) of SECTION 7(b). The number of Shares underlying any Substitute Awards shall be counted against the Plan Share Limit; *provided, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding awards previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall not be counted against the Plan Share Limit; *provided further, however*, that Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding stock options intended to qualify for special tax treatment under Sections 421 and 422 of the Code that were previously granted by an entity that is acquired by the Company or any of its Affiliates or with which the Company or any of its Affiliates combines shall be counted against the maximum aggregate number of Shares available for Incentive Stock Options under the Plan.

(d) *Sources of Shares Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. *Eligibility.* Any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company or any of its Affiliates shall be eligible to be designated a Participant.

SECTION 6. *Awards.*

(a) *Types of Awards.* Awards may be made under the Plan in the form of (i) Options, (ii) SARs, (iii) Restricted Shares, (iv) RSUs, (v) Deferred Share Units, (vi) Performance Compensation Awards, (vii) Performance Units (viii) Cash Incentive Awards and (ix) other equity-based or equity-related Awards that the Committee determines are consistent with the purpose of the Plan and the interests of the Company. Awards may be granted in tandem with other Awards. No Incentive Stock Option (other than an Incentive Stock Option that may be assumed or issued by the Company in connection with a transaction to which Section 424(a) of the Code applies) may be granted to a person who is ineligible to receive an Incentive Stock Option under the Code.

(b) *Options.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Options shall be granted, (B) subject to SECTION 4(a), the number of Shares subject to each Option to be granted to each Participant, (C) whether each Option shall be an Incentive Stock Option or a Nonqualified Stock Option and (D) the terms and conditions of each Option, including the vesting criteria, term, methods of exercise and methods and form of settlement. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any regulations related thereto, as may be amended from time to time. Each Option granted under the Plan shall be a Nonqualified Stock Option unless the applicable Award Agreement expressly states that the Option is intended to be an Incentive Stock Option. If an Option is intended to be an Incentive Stock Option, and if, for any reason, such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Nonqualified Stock Option appropriately granted under the Plan; *provided* that such Option (or portion thereof) otherwise complies with the Plan’s requirements relating to Nonqualified Stock Options.

(ii) *Exercise Price.* The Exercise Price of each Share covered by each Option shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the Option is granted); *provided, however*, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the per-Share Exercise Price shall be no less than 110% of the Fair Market Value per Share on the date of the grant. Each Option is, unless otherwise specified by the Committee, intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code.

(iii) *Vesting and Exercise.* Each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter. Except as otherwise specified by the Committee in the applicable Award Agreement, each Option may only be exercised to the extent that it has already vested at the time of exercise. Each Option shall be deemed to be exercised when written or electronic notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment

pursuant to SECTION 6(b)(iv) for the Shares with respect to which the Award is exercised has been received by the Company. Exercise of each Option in any manner shall result in a decrease in the number of Shares that thereafter may be available for sale under the Option and, except as expressly set forth in SECTION 4(a) and SECTION 4(c), in the number of Shares that may be available for purposes of the Plan, by the number of Shares as to which the Option is exercised. The Committee may impose such conditions with respect to the exercise of each Option, including any conditions relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(iv) *Payment.*

(A) No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the aggregate Exercise Price therefor is received by the Company, and the Participant has paid to the Company (or the Company has withheld in accordance with SECTION 9(d)) an amount equal to any Federal, state, local and foreign income and employment taxes required to be withheld. Such payments may be made in cash (or its equivalent) or, in the Committee's sole and plenary discretion, (1) by exchanging Shares owned by the Participant (which are not the subject of any pledge or other security interest), (2) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell the Shares otherwise deliverable upon the exercise of the Option and to deliver cash promptly to the Company, (3) by having the Company withhold Shares from the Shares otherwise issuable pursuant to the exercise of the Option or (4) through any other method (or combination of methods) as approved by the Committee; *provided* that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company, together with any Shares withheld by the Company in accordance with this SECTION 6(b)(iv) or SECTION 9(d), as of the date of such tender, is at least equal to such aggregate Exercise Price and the amount of any Federal, state, local or foreign income or employment taxes required to be withheld, if applicable.

(B) Wherever in the Plan or any Award Agreement a Participant is permitted to pay the Exercise Price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

(v) *Expiration.* Except as otherwise set forth in the applicable Award Agreement, each Option shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the Option is granted (or, in the case of each Incentive Stock Option granted to an employee who, at the time of the grant of such *Option*, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Affiliate, the fifth *anniversary* of the date the Option is granted) and (B) three months after the date the Participant who is holding the Option ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may an Option be exercisable after the tenth anniversary of the date the Option is granted.

(c) *SARs.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom SARs shall be granted, (B) subject to SECTION 4(a), the number of SARs to be granted to each Participant, (C) the Exercise Price thereof and (D) the conditions and limitations applicable to the exercise thereof.

(ii) *Exercise Price.* The Exercise Price of each Share covered by a SAR shall be not less than 100% of the Fair Market Value of such Share (determined as of the date the SAR is granted). Each SAR is, unless otherwise specified by the Committee, intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(iii) *Vesting and Exercise.* Each SAR shall entitle the Participant to receive an amount upon exercise equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the Exercise Price thereof. The Committee shall determine, in its sole and plenary discretion, whether a SAR shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing. Each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter.

(iv) *Other Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a SAR, the vesting criteria, term, methods of exercise, methods and form of settlement and any other terms and conditions of any SAR; *provided, however*, that in no event may any SAR be exercisable after the tenth anniversary of the date the SAR is granted. Any determination by the Committee that is made pursuant to this SECTION 6(c)(iv) may be changed by the Committee from time to time and may govern the exercise of SARs granted or exercised thereafter.

(v) *Substitution SARs.* The Committee shall have the ability to substitute, without the consent of the affected Participant or any holder or beneficiary of SARs, SARs settled in Shares (or SARs settled in Shares or cash in the Committee's discretion) ("*Substitution SARs*") for outstanding Nonqualified Stock Options ("*Substituted Options*"); *provided* that (A) the substitution shall not otherwise result in a modification of the terms of any Substituted Option, (B) the number of Shares underlying the Substitution SARs shall be the same as the number of Shares underlying the Substituted Options and (C) the Exercise Price of the Substitution SARs shall be equal to the Exercise Price of the Substituted Options. If, in the opinion of the Company's auditors, this provision creates adverse accounting consequences for the Company, it shall be considered null and void.

(vi) *Expiration.* Except as otherwise set forth in the applicable Award Agreement, each SAR shall expire immediately, without any payment, upon the earlier of (A) the tenth anniversary of the date the SAR is granted and (B) three months after the date the Participant who is holding the SAR ceases to be a director, officer, employee or consultant of the Company or one of its Affiliates. In no event may a SAR be exercisable after the tenth anniversary of the date the SAR is granted.

(d) *Restricted Shares and RSUs.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine (A) the Participants to whom Restricted Shares and RSUs shall be granted, (B) subject to SECTION 4(a), the number of Restricted Shares and RSUs to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Restricted Shares and RSUs may vest or may be forfeited to the Company and (D) the terms and conditions of each such Award, including the vesting criteria, term, methods of exercise and methods and form of settlement.

(ii) *Transfer Restrictions.* Restricted Shares and RSUs may not be sold, assigned, transferred, pledged or otherwise encumbered except as provided in the Plan or as may be provided in the applicable Award Agreement; *provided, however*, that the Committee may in its discretion, determine that Restricted Shares and RSUs may be transferred by the Participant for no consideration. Each Restricted Share may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the applicable Participant, such certificates must bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of such certificates until such time as all applicable restrictions lapse.

(iii) *Payment/Lapse of Restrictions.* Each RSU shall be granted with respect to a specified number of Shares (or a number of Shares determined pursuant to a specified formula) or shall have a value equal to the Fair Market Value of a specified number of Shares (or a number of Shares determined pursuant to a specified formula). RSUs shall be paid in cash, Shares, other securities, other Awards or other property, as determined in the sole and plenary discretion of the Committee, upon the lapse of restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. If a Restricted Share or an RSU is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, unless the grant of such Restricted Share or RSU is contingent on satisfaction of the requirements for the payment of "qualified performance-based compensation" under Section 162(m) of the Code (whether pursuant to SECTION 6(e) of this Plan or any other plan), all requirements set forth in SECTION 6(e) must be satisfied in order for the restrictions applicable thereto to lapse.

(e) *Performance Compensation Awards.*

(i) *General.* The Committee shall have the authority, at the time of grant of any Award, to designate such Award (other than an Option or SAR) as a Performance Compensation Award in order for such Award to qualify as "qualified performance-based compensation" under Section 162(m) of the Code. Options and SARs granted under the Plan shall not be included among Awards that are designated as Performance Compensation Awards under this SECTION 6(e).

(ii) *Eligibility.* The Committee shall, in its sole discretion, designate within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) which Participants shall be eligible to receive Performance Compensation Awards in respect of such Performance Period. However, designation of a Participant as eligible to receive an Award hereunder for a Performance Period shall not in any manner entitle such Participant to receive payment in respect of any Performance Compensation Award for such Performance Period. The determination as to whether or not such Participant becomes entitled to payment in respect of any Performance Compensation Award shall be decided solely in accordance with the provisions of this SECTION 6(e). Moreover, designation of a Participant as eligible to receive an Award hereunder for a particular Performance Period shall not require designation of such Participant as eligible to receive an Award hereunder in any subsequent Performance Period and designation of one person as a Participant eligible to receive an Award hereunder shall not require designation of any other person as a Participant eligible to receive an Award hereunder in such period or in any other period.

(iii) *Discretion of the Committee with Respect to Performance Compensation Awards.* With regard to a particular Performance Period, the Committee shall have discretion to select (A) the length of such Performance Period, (B) the type(s) of Performance Compensation Awards to be issued, (C) the Performance Criteria that shall be used to establish the Performance Goal(s), (D) the kind(s) and/or level(s) of the Performance Goal(s) that is (are) to apply to the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and (E) the Performance Formula; *provided* that any such Performance Formula shall be objective and non-discretionary. Within the first 90 days of a Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), the Committee shall, with regard to the Performance Compensation Awards to be issued for such Performance Period, exercise its discretion with respect to each of the matters enumerated in the immediately preceding sentence and record the same in writing.

(iv) *Performance Criteria.* Notwithstanding the foregoing, the Performance Criteria that shall be used to establish the Performance Goal(s) with respect to Performance Compensation Awards shall be based on the attainment of specific levels of performance of the Company or any of its Subsidiaries, Affiliates, divisions or operational units, or any combination of the foregoing, and shall be limited to the following (whether per share or otherwise): (A) share price, (B) net income, earnings or earnings before or after taxes (including earnings before interest and taxes (“*EBIT*”) or earnings before interest, taxes, depreciation and amortization (“*EBITDA*”)) including, in each case, for the avoidance of doubt, on an adjusted basis, (C) operating income, profit, operating profit or economic profit, (D) capital efficiency, (E) cash flow (including specified types or categories thereof including, but not limited to, operating cash flow and free cash flow), (F) cash flow return on capital, (G) revenues (including specified types or categories thereof), (H) return on stockholders’ equity, (I) return on investment or capital, (J) return on assets, (K) gross or net profitability/profit margins, (L) objective measures of productivity or operating efficiency, (M) costs (including specified types or categories thereof), (N) budgeted expenses (operating and capital), (O) market share (in the aggregate or by segment), (P) level or amount of acquisitions (in terms of size, number of transactions or otherwise), (Q) economic value-added, (R), enterprise value, (S) book value, (T) working capital, (U) safety and accident rates, (V) days sales outstanding, (W) customer satisfaction, (X) overall or selected premium or sales, (Y) expense ratio, (Z) gross or unit margin, and (AA) total stockholder return. Such Performance Criteria may be applied on an absolute basis, be relative to one or more peer companies of the Company or indices or any combination thereof or, if applicable, be computed on an accrual or cash accounting basis. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of the applicable Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code), define in an objective manner the method of calculating the Performance Criteria it selects to use for such Performance Period.

(v) *Modification of Performance Goals.* The Committee is authorized to adjust or modify the calculation of a Performance Goal for a Performance Period to the extent permitted under Section 162(m) of the Code (A) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development affecting the Company, or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal) or (B) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or the financial statements of the Company or any of its Affiliates, Subsidiaries, divisions or operating units (to the extent applicable to such Performance Goal), or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles, law or business conditions.

(vi) *Payment of Performance Compensation Awards.*

(A) *Condition to Receipt of Payment.* A Participant must be employed by the Company or one of its Subsidiaries on the last day of a Performance Period to be eligible for payment in respect of a Performance Compensation Award for such Performance Period. Notwithstanding the foregoing and to the extent permitted by Section 162(m) of the Code, in the discretion of the Committee, Performance Compensation Awards may be paid to Participants who have retired or whose employment has terminated prior to the last day of the Performance Period for which a Performance Compensation Award is made, or to the designee or estate of a Participant who died prior to the last day of a Performance Period.

(B) *Limitation.* Except as otherwise permitted by Section 162(m) of the Code, a Participant shall be eligible to receive payments in respect of a Performance Compensation Award only to the extent that (1) the Performance Goal(s) for the relevant Performance Period are achieved and certified by the Committee in accordance with SECTION 6(e)(vi)(C) and (2) the Performance Formula as applied against such Performance Goal(s) determines that all or some portion of such Participant’s Performance Compensation Award has been earned for such Performance Period.

(C) *Certification.* Following the completion of a Performance Period, the Committee shall certify in writing whether, and to what extent, the Performance Goals for the Performance Period have been achieved and, if so, to calculate and certify in writing that amount of the Performance Compensation Awards earned for the period based upon the objective Performance Formula. The Committee shall then determine the actual amount of each

Participant's Performance Compensation Award for the Performance Period and, in so doing, may apply negative discretion as authorized by SECTION 6(e)(vi)(D).

(D) *Negative Discretion.* In determining the actual amount of an individual Performance Compensation Award for a Performance Period, the Committee may, in its sole and plenary discretion, reduce or eliminate the amount of the Award earned in the Performance Period, even if applicable Performance Goals have been attained and without regard to any employment agreement between the Company and a Participant.

(E) *Discretion.* Except as otherwise permitted by Section 162(m) of the Code, in no event shall any discretionary authority granted to the Committee by the Plan be used to (1) grant or provide payment in respect of Performance Compensation Awards for a Performance Period if the Performance Goals for such Performance Period have not been attained, (2) increase a Performance Compensation Award for any Participant at any time after the first 90 days of the Performance Period (or, if shorter, the maximum period allowed under Section 162(m) of the Code) or (3) increase the amount of a Performance Compensation Award above the maximum amount payable under SECTION 4(a) of the Plan. For the avoidance of doubt, the provisions of this Section 6(e), including without limitation this Section 6(e)(vi)(E), shall only apply to Awards (other than Options or SARs) that the Committee intends to qualify as "qualified performance-based compensation" under Section 162(m) of the Code.

(F) *Form of Payment.* In the case of any Performance Compensation Award other than a Restricted Share, RSU or other equity-based Award that is subject to performance-based vesting conditions, such Performance Compensation Award shall be payable, in the discretion of the Committee, in cash or in Restricted Shares, RSUs or fully vested Shares of equivalent value and shall be paid on such terms as determined by the Committee in its discretion. Any Restricted Shares and RSUs shall be subject to the terms of this Plan (or any successor equity-compensation plan) and any applicable Award Agreement. The number of Restricted Shares, RSUs or Shares that is equivalent in value to a dollar amount shall be determined in accordance with a methodology specified by the Committee within the first 90 days of the relevant Performance Period (or, if shorter, within the maximum period allowed under Section 162(m) of the Code).

(f) *Performance Units.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and plenary authority to determine the Participants to whom Performance Units shall be granted.

(ii) *Value of Performance Units.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met during a Performance Period, will determine in accordance with SECTION 4(a) the number and/or value of Performance Units that will be paid out to the Participant.

(iii) *Earning of Performance Units.* Subject to the provisions of the Plan, after the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive a payout of the number and value of Performance Units earned by the Participant over the Performance Period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding Performance Goals have been achieved.

(iv) *Form and Timing of Payment of Performance Units.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, may pay earned Performance Units in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Units at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions in the applicable Award Agreement deemed appropriate by the Committee. The determination of the Committee with respect to the form and timing of payout of such Awards shall be set forth in the applicable Award Agreement. If a Performance Unit is intended to qualify as "qualified performance-based compensation" under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.

(g) *Cash Incentive Awards.*

(i) *Grant.* Subject to the provisions of the Plan, the Committee, in its sole and plenary discretion, shall have the authority to determine (A) the Participants to whom Cash Incentive Awards shall be granted, (B) subject to SECTION 4(a), the number of Cash Incentive Awards to be granted to each Participant, (C) the duration of the period during which, and the conditions, if any, under which, the Cash Incentive Awards may vest or may be forfeited to the Company and (D) the other terms and conditions of the Cash Incentive Awards. Each Cash Incentive Award shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals or other payment conditions in its discretion, which, depending on the extent to which they are met during a specified performance period, shall determine the number and/or value of Cash Incentive Awards that shall be paid to the Participant.

(ii) *Earning of Cash Incentive Awards.* Subject to the provisions of the Plan, after the applicable vesting period has ended, the holder of Cash Incentive Awards shall be entitled to receive a payout of the number and value of Cash Incentive Awards earned by the Participant over the specified performance period, to be determined by the Committee, in its sole and plenary discretion, as a function of the extent to which the corresponding performance goals or other conditions to payment have been achieved.

(iii) *Payment.* If a Cash Incentive Award is intended to qualify as “qualified performance-based compensation” under Section 162(m) of the Code, all requirements set forth in SECTION 6(e) must be satisfied in order for a Participant to be entitled to payment.

(h) *Other Stock-Based Awards.* Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to Participants other equity-based or equity-related Awards (including, but not limited to, Deferred Share Units and fully vested Shares) (whether payable in cash, equity or otherwise) in such amounts and subject to such terms and conditions as the Committee shall determine; *provided* that any such Awards must comply, to the extent deemed desirable by the Committee, with Rule 16b-3 and applicable law.

(i) *Dividends and Dividend Equivalents.* In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on a current or deferred basis, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, (ii) withholding of such amounts by the Company subject to vesting of the Award or (iii) reinvestment in additional Shares, Restricted Shares or other Awards.

(j) *Minimum Vesting Provision.* Subject to the terms of the Plan and any applicable Award Agreement, all Awards granted hereunder other than SARs, Options or Cash Incentive Awards are subject to a vesting period of at least three years following the date of grant, except that (1) a vesting period of at least one year following the date of grant is permissible if vesting is conditioned upon the achievement of performance goals, (2) any award may vest in part prior to the expiration of any vesting period (except that in no event will any portion of such awards vest prior to the first anniversary of the date of grant), and (3) up to five percent of shares available for grant under the Plan may be granted without regard to these requirements and the Committee may accelerate the vesting with respect to any such awards.

SECTION 7. *Amendment and Termination.*

(a) *Amendments to the Plan.* Subject to any applicable law or government regulation, to any requirement that must be satisfied if the Plan is intended to be a stockholder-approved plan for purposes of Section 162(m) of the Code and to the rules of the Applicable Exchange, the Plan may be amended, modified or terminated by the Board without the approval of the stockholders of the Company, except that stockholder approval shall be required for any amendment that would (i) increase the Plan Share Limit or the Plan ISO Limit, (ii) change the class of employees or other individuals eligible to participate in the Plan, (iii) constitute a material increase in the benefits to be provided to eligible employees within the meaning of the New York Stock Exchange rules as of the date hereof, or (iv) result in the amendment, cancellation or action described in clause (i), (ii) or (iii) of the second sentence of SECTION 7(b) being permitted without approval by the Company’s stockholders; *provided, however*, that any adjustment under SECTION 4(b) shall not constitute an increase for purposes of SECTION 7(a)(i). No amendment, modification or termination of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted, materially and adversely affect the rights of such Participant (or his or her transferee) under such Award, unless otherwise provided by the Committee in the applicable Award Agreement.

(b) *Amendments to Awards.* The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate any Award theretofore granted, prospectively or retroactively;

provided, however, that, except as set forth in the Plan, unless otherwise provided by the Committee in the applicable Award Agreement, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the applicable Participant, holder or beneficiary. Notwithstanding the preceding sentence, in no event may any Option or SAR (i) be amended to decrease the Exercise Price thereof, (ii) be cancelled at a time when its Exercise Price exceeds the Fair Market Value of the underlying Shares in exchange for another Option or SAR or any Restricted Share, RSU, other equity-based Award, award under any other equity-compensation plan or any cash payment or (iii) be subject to any action that would be treated, for accounting purposes, as a “repricing” of such Option or SAR, unless such amendment, cancellation or action is approved by the Company’s stockholders. For the avoidance of doubt, an adjustment to the Exercise Price of an Option or SAR that is made in accordance with SECTION 4(b) or SECTION 8 shall not be considered a reduction in Exercise Price or “repricing” of such Option or SAR.

(c) *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* Subject to SECTION 6(e)(v) and the final sentence of SECTION 7(b), the Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including,

without limitation, the events described in SECTION 4(b) or the occurrence of a Change of Control) affecting the Company, any Affiliate, or the financial statements of the Company or any Affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or SAR, a cash payment to the holder of such Option or SAR in consideration for the cancelation of such Option or SAR in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or SAR over the aggregate Exercise Price of such Option or SAR and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or SAR having a per-Share Exercise Price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or SAR without any payment or consideration therefor.

SECTION 8. *Change of Control.*

(a) *General.* The provisions of this Section 8 shall, subject to Section 4(b), apply notwithstanding any other provision of the Plan to the contrary, except to the extent the Committee specifically provides otherwise in an Award Agreement.

(b) *Impact of Change of Control.* Upon the occurrence of a Change of Control, except as otherwise provided in Section 8(e), each Award shall be replaced pursuant to Section 4(b) with an award that meets the requirements of this Section 8(b) (any award meeting the requirements of this Section 8(b), a “*Replacement Award*” and any award intended to be replaced by a Replacement Award, a “*Replaced Award*”). An Award shall meet the conditions of this Section 8(b) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value equal to the value of the Replaced Award as of the date of the Change of Control; (iii) if the underlying Replaced Award was an equity-based award, it relates to publicly traded equity securities of the Company or the entity surviving the Company following the Change of Control; (iv) it contains terms relating to vesting (including with respect to a termination of employment or service) that are substantially identical to those of the Replaced Award; and (v) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change of Control) as of the date of the Change of Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. If a Replacement Award is granted, the Replaced Award shall not vest upon the Change of Control. The determination whether the conditions of this Section 8(b) are satisfied shall be made by the Committee, as constituted immediately before the Change of Control, in its sole discretion.

(c) *Termination of Employment.* Upon a termination of employment or service of a Participant occurring upon or during the two years immediately following the date of a Change of Control by reason of death, disability, by the Company without Cause (as defined in Section 8(d)), or, only to the extent specified in an Award Agreement, by the Participant for “*Good Reason*” (as defined in Section 8(d)), (i) all Replacement Awards held by such Participant shall vest in full, be free of restrictions, and be earned in an amount equal to the full value of such Replacement Award, and (ii) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of the Plan to the contrary, any Option or SAR held by the Participant as of the date of the Change of Control that remains outstanding as of the date of such termination of employment or service may thereafter be exercised, until (A) in the case of Incentive Stock Options, the last date on which such Incentive Stock Options would be exercisable in the absence of this Section 8(c), and (B) in the case of Nonqualified Stock Options and SARs, the later of (x) the last date on which such Nonqualified Stock Option or SAR would be exercisable upon the relevant termination of employment in the absence of this Section 8(c) and (y) the earlier of (1) the first anniversary of such termination of employment or service and (2) expiration of the term of such Nonqualified Stock Option or SAR.

(d) *Definitions.* The following terms shall have the following meanings for purposes of this Section 8 only:

(i) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “*Cause*” shall mean (A) the Participant’s dereliction of duties or gross negligence or failure to perform his duties or refusal to follow any lawful directive of the officer to whom he reports; (B) the Participant’s abuse of or dependency on alcohol or drugs (illicit or otherwise) that adversely affects his performance of duties for the Company; (C) the Participant’s commission of any fraud, embezzlement, theft or dishonesty or any deliberate misappropriation of money or other assets of the Company; (D) the Participant’s breach of any fiduciary duties of the Company; (E) any act, or failure to act, by the Participant in bad faith to the detriment of the Company; (F) the Participant’s failure to cooperate in good faith with a governmental or internal investigation of the Company or any of its directors, managers, officers or employees, if the Company requests the Participant’s cooperation; (G) the Participant’s failure to follow Company policies, including the Company’s code of conduct and/or ethics policy, as may be in effect from time to time; or (H) the Participant’s conviction of, or plea of *nolo contendere* to, a felony or any serious crime; *provided* that in cases where cure is possible, the Participant shall first be provided with a 15-day cure period.

(ii) Unless otherwise determined by the Committee and set forth in an applicable Award Agreement, “*Good Reason*” shall mean (A) a material breach by the Company of the Participant’s applicable Award Agreement or (B) a reduction in the Participant’s base salary; *provided* that the Company shall first be provided with a 30-day cure period following receipt of written notice from the Participant setting forth in reasonable detail the specific conduct of the Company that is alleged to constitute Good Reason, to cease and to cure, any conduct specified in such written notice; *provided, further*, that such notice shall be provided to the Company within 45 days of the occurrence of the conduct alleged to constitute Good Reason and if, at the end of the cure period, the circumstance alleged to constitute Good Reason has not been remedied the Participant will be entitled to terminate his employment for Good Reason during the 30-day period that follows the end of the cure period. If the Participant does not terminate employment or service during such 30-day period, he will not be permitted to terminate his employment for Good Reason as a result of such event or condition.

(e) *Awards not Replaced.* Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, in the event that an Award shall not be replaced pursuant to Section 4(b) with a Replacement Award meeting the requirements of Section 8(b), any such Award that is (i) an outstanding Option or SAR then held by a Participant that is unexercisable or otherwise unvested shall automatically become exercisable or otherwise vested, as the case may be, as of immediately prior to the Change of Control, (ii) a Performance Unit, Cash Incentive Award or Award designated as a Performance Compensation Award shall be paid out as if the date of the Change of Control were the last day of the applicable Performance Period and “target” performance levels had been attained and (iii) not described in clause (i) or (ii) of this Section 8(e) then held by a Participant that is unexercisable, unvested or still subject to restrictions or forfeiture, shall automatically be exercisable and vested and all restrictions and forfeiture provisions related thereto shall lapse as of immediately prior to such Change of Control. Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, this Section 8 shall be applicable only to the extent specifically provided in the Award Agreement and permitted pursuant to Section 11(e). Nothing in this Section 8 shall preclude the Company from settling upon a Change of Control an Award if it is not replaced by a Replacement Award, to the extent effectuated in accordance with Treas. Reg. § 1.409A-3(j)(ix).

SECTION 9. *General Provisions.*

(a) *Nontransferability.* Except as otherwise specified in the applicable Award Agreement, during the Participant’s lifetime each Award (and any rights and obligations thereunder) shall be exercisable only by the Participant, or, if permissible under applicable law, by the Participant’s legal guardian or representative, and no Award (or any rights and obligations thereunder) may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; *provided* that (i) the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance and (ii) the Board or the Committee may permit further transferability, on a general or specific basis, and may impose conditions and limitations on any permitted transferability; *provided, however*, that Incentive Stock Options shall not be transferable in any way that would violate Section 1.422-2(a)(2) of the Treasury Regulations and in no event may any Award (or any rights and obligations thereunder) be transferred in any way in exchange for value. All terms and conditions of the Plan and all Award Agreements shall be binding upon any permitted successors and assigns.

(b) *No Rights to Awards.* No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee’s determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

(c) *Share Certificates.* All certificates for Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement or the rules, regulations and other requirements of the SEC, the Applicable Exchange and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(d) *Withholding.*

(i) *Authority to Withhold.* A Participant may be required to pay to the Company or any Affiliate, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such taxes.

(ii) *Alternative Ways to Satisfy Withholding Liability.* Without limiting the generality of clause (i) above, subject to the Committee’s discretion, a Participant may satisfy, in whole or in part, the foregoing withholding liability by delivery

of Shares owned by the Participant (which are not subject to any pledge or other security interest) having a Fair Market Value equal to such withholding liability or by having the Company withhold from the number of Shares otherwise issuable pursuant to the exercise of the Option or SAR, or the lapse of the restrictions on any other Award (in the case of SARs and other Awards, if such SARs and other Awards are settled in Shares), a number of Shares having a Fair Market Value equal to such withholding liability.

(e) *Section 409A.*

(i) It is intended that the provisions of the Plan comply with Section 409A of the Code, and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award.

(ii) No Participant or the creditors or beneficiaries of a Participant shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to any Participant or for the benefit of any Participant under the Plan may not be reduced by, or offset against, any amount owing by any such Participant to the Company or any of its Affiliates.

(iii) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (A) such Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable pursuant to an Award constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it on the first business day after such six-month period. Such amount shall be paid without interest, unless otherwise determined by the Committee, in its sole discretion, or as otherwise provided in any applicable employment agreement between the Company and the relevant Participant.

(iv) Notwithstanding any provision of the Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to any Award as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on such Participant or for such Participant's account in connection with an Award (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its Affiliates shall have any obligation to indemnify or otherwise hold such Participant harmless from any or all of such taxes or penalties.

(f) *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement, which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto, including the effect on such Award of the death, disability or termination of employment or service of a Participant and the effect, if any, of such other events as may be determined by the Committee.

(g) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, shares, other types of equity-based awards (subject to stockholder approval if such approval is required) and cash incentive awards, and such arrangements may be either generally applicable or applicable only in specific cases.

(h) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained as a director, officer, employee or consultant of or to the Company or any Affiliate, nor shall it provide a Participant with any rights to continued service on the Board. Further, the Company or an Affiliate may at any time dismiss a Participant from employment or discontinue any directorship or consulting relationship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) *No Rights as a Stockholder.* No Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until he or she has become the holder of such Shares. In connection with each grant of Restricted Shares, except as provided in the applicable Award Agreement, the Participant shall be entitled to the rights of a stockholder (including the right to vote) in respect of such Restricted Shares. Except as otherwise provided in SECTION 4(b), SECTION 7(c) or the applicable Award Agreement, no adjustments shall be made for dividends or distributions on (whether ordinary or extraordinary, and whether in cash, Shares, other securities or other property), or other events relating to, Shares subject to an Award for which the record date is prior to the date such Shares are delivered.

(j) *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

(k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be construed or deemed stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) *Other Laws; Restrictions on Transfer of Shares.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole and plenary discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole and plenary discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the Federal and any other applicable securities laws.

(m) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate, on one hand, and a Participant or any other Person, on the other. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or such Affiliate.

(n) *Recoupment of Awards.* Any Award Agreement may provide for recoupment by the Company of all or any portion of an Award if the Company's financial statements are required to be restated due to noncompliance with any financial reporting requirement under the Federal securities laws or as otherwise determined by the Committee. This SECTION 9(n) shall not be the Company's exclusive remedy with respect to such matters.

(o) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(p) *Requirement of Consent and Notification of Election Under Section 83(b) of the Code or Similar Provision.* No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Section 83(b) of the Code) or under a similar provision of law may be made unless expressly permitted by the terms of the applicable Award Agreement or by action of the Committee in writing prior to the making of such election. If an Award recipient, in connection with the acquisition of Shares under the Plan or otherwise, is expressly permitted under the terms of the applicable Award Agreement or by such Committee action to make such an election and the Participant makes the election, the Participant shall notify the Committee of such election within ten days of filing notice of the election with the Internal Revenue Service (or any successor thereto) or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code or any other applicable provision.

(q) *Requirement of Notification Upon Disqualifying Disposition Under Section 421(b) of the Code.* If any Participant shall make any disposition of Shares delivered pursuant to the exercise of an Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to certain disqualifying dispositions) or any successor provision of the Code, such Participant shall notify the Company of such disposition within ten days of such disposition.

(r) *Headings and Construction.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof. Whenever the words "include", "includes" or "including" are used in this Plan, they shall be deemed to be followed by the words "but not limited to".

SECTION 10. *Term of the Plan.*

(a) *Effective Date.* The Plan shall be effective as of the Approval Date.

(b) *Expiration Date.* No Award shall be granted under the Plan after the tenth anniversary of the Approval Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award, shall nevertheless continue thereafter.

XPO LOGISTICS, INC. AMENDMENT NO. 1 TO THE 2016 OMNIBUS INCENTIVE COMPENSATION PLAN

THIS AMENDMENT NO. 1 (this “Amendment”) to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, is made and adopted by the Board of Directors (the “Board”) of XPO Logistics, Inc., a Delaware corporation (the “Company”), effective as of the Effective Date (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan (as defined below).

WHEREAS, the Company has previously adopted, and the Company’s stockholders have previously approved, the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (as amended from time to time, the “Plan”);

WHEREAS, pursuant to Section 7(a) of the Plan, the Board has the authority to amend the Plan, subject to certain limitations;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan as set forth herein; and

WHEREAS, this Amendment shall become effective upon the approval of this Amendment by the Company’s stockholders at the annual meeting of stockholders held on May 15, 2019 (the date of such approval, the “Effective Date”).

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

1. The first sentence of Section 4(a) of the Plan is hereby deleted and replaced in its entirety with the following:

“Subject to adjustment as provided in SECTION 4(b), the maximum aggregate number of Shares that may be delivered pursuant to Awards granted under the Plan shall be equal to 5,400,000, (the “Plan Share Limit”), of which 3,400,000 Shares may be delivered pursuant to Incentive Stock Options granted under the Plan (such amount, the “Plan ISO Limit”).”
2. The first sentence of Section 10(b) of the Plan is hereby deleted and replaced in its entirety with the following:

“No Award shall be granted under the Plan after May 15, 2029.”
3. The Section 6(i) of the Plan is hereby deleted and replaced in its entirety with the following:

“Dividends and Dividend Equivalents. In the sole and plenary discretion of the Committee, an Award, other than an Option or SAR or a Cash Incentive Award, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities, other Awards or other property, on such terms and conditions as may be determined by the Committee in its sole and plenary discretion, including, (i) payment directly to the Participant, or (ii) reinvestment in additional Shares, Restricted Shares or other Awards; provided, however, that no dividend or dividend equivalent may be delivered or paid in respect of an Award prior to the vesting of such Award.”
4. The first sentence of Section 6(b)(iii) of the Plan is hereby deleted and replaced with the following:

“Subject to Section 6(j), each Option shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its sole and plenary discretion, specify in the applicable Award Agreement or thereafter.”
5. The last sentence of Section 6(c)(iii) of the Plan is hereby deleted and replaced with the following:

“Subject to Section 6(j), each SAR shall be vested and exercisable at such times, in such manner and subject to such terms and conditions as the Committee may, in its discretion, specify in the applicable Award Agreement or thereafter.”
6. The Section 6(j) of the Plan is hereby deleted and replaced in its entirety with the following:

“Minimum Vesting Provision. All Awards granted hereunder shall be subject to a designated vesting period of at least one year following the date of grant, except that up to five percent of shares available for grant under the Plan may be granted without regard to this requirement and the Committee may accelerate the vesting with respect to any such Awards.”
7. This Amendment shall be and is hereby incorporated into and forms a part of the Plan.
8. Except as expressly provided herein, all terms and conditions of the Plan shall continue in full force and effect.

This page is intentionally left blank

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-32172

XPOLogistics

XPO Logistics, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

Five American Lane
Greenwich, CT

(Address of principal executive offices)

03-0450326

(I.R.S. Employer
Identification No.)

06831

(Zip Code)

(855) 976-6951

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	XPO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes
No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes
No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was \$5.3 billion as of June 28, 2019, based upon the closing price of the common stock on that date.

As of February 5, 2020, there were 92,357,540 shares of the registrant’s common stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant’s proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant’s 2020 Annual Meeting of Stockholders (the “Proxy Statement”), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

XPO LOGISTICS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

	Page No.
PART I	
Item 1 <u>Business</u>	<u>4</u>
Item 1A <u>Risk Factors</u>	<u>16</u>
Item 1B <u>Unresolved Staff Comments</u>	<u>29</u>
Item 2 <u>Properties</u>	<u>29</u>
Item 3 <u>Legal Proceedings</u>	<u>29</u>
Item 4 <u>Mine Safety Disclosures</u>	<u>30</u>
PART II	
Item 5 <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>31</u>
Item 6 <u>Selected Financial Data</u>	<u>32</u>
Item 7 <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
Item 7A <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
Item 8 <u>Financial Statements and Supplementary Data</u>	<u>48</u>
Item 9 <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>97</u>
Item 9A <u>Controls and Procedures</u>	<u>97</u>
Item 9B <u>Other Information</u>	<u>97</u>
PART III	
Item 10 <u>Directors, Executive Officers and Corporate Governance</u>	<u>98</u>
Item 11 <u>Executive Compensation</u>	<u>98</u>
Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>98</u>
Item 13 <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>98</u>
Item 14 <u>Principal Accounting Fees and Services</u>	<u>98</u>
PART IV	
Item 15 <u>Exhibits, Financial Statement Schedules</u>	<u>99</u>
Item 16 <u>Form 10-K Summary</u>	<u>104</u>
<u>Signatures</u>	<u>105</u>

PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as “anticipate,” “estimate,” “believe,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target,” “trajectory” or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include those discussed below and the risks discussed in the Company’s other filings with the Securities and Exchange Commission (the “SEC”). All forward-looking statements set forth in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company’s audited Consolidated Financial Statements and related Notes thereto included elsewhere in this Annual Report. Forward-looking statements set forth in this Annual Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except as required by law.

ITEM 1. BUSINESS

Company Overview

XPO Logistics, Inc., together with its subsidiaries (“XPO,” “XPO Logistics,” “the Company,” “we” or “our”), is a top ten global provider of cutting-edge supply chain solutions to the most successful companies in the world. XPO was incorporated as a Delaware corporation on May 8, 2000.

The Company has two reporting segments: Transportation and Logistics. Within each segment, we have robust service offerings that are positioned to capitalize on fast-growing areas of customer demand. Substantially all of our services operate under the single brand of XPO Logistics. As of December 31, 2019, we had approximately 100,000 employees and 1,504 locations in 30 countries, and over 50,000 customers. Our operations help our customers move their goods most efficiently throughout their supply chains.

Transportation Segment

Our Transportation segment includes our services for truck brokerage and truckload; less-than-truckload (“LTL”); last mile; intermodal and drayage; expedite; managed transportation; and global forwarding. We offer these services in both North America and Europe with the exception of intermodal/drayage, which is strictly North America, and truckload, which is in Europe. Within each region, the complementary transportation services we provide represent an opportunity to provide multiple solutions to our larger customers.

For the full year 2019, our largest service offerings within the Transportation segment were LTL and freight brokerage/truckload, which contributed 44% and 40%, respectively, to segment revenue. The segment overall contributed approximately 64% to our consolidated revenue in 2019, compared with 65% and 66% in 2018 and 2017, respectively.

Globally, we are the second largest freight brokerage provider, and a top five provider of managed transportation. Many of our other transportation services hold market-leading positions in North America and Europe.

In North America, we are the largest provider of last mile logistics for heavy goods, the largest manager of expedited shipments, a top three provider of LTL transportation and a top three provider of intermodal services, with a national drayage network. We are also a freight forwarder with a global network of ocean, air, ground and cross-border services.

In Europe, we provide full truckload transportation as a brokered service using independent carriers, and as dedicated and non-dedicated capacity using our fleet — one of the largest owned road fleets in Europe. Our other transportation offerings in Europe are LTL transportation, which we provide with one of the largest LTL networks in Western Europe, and last mile logistics. Our total lane density in Europe covers the regions that produce approximately 90% of the gross domestic product of the European Union (the “EU”).

We use a blended model of owned, contracted and brokered capacity for over-the-road transportation. This gives us extensive flexibility in providing optimal solutions. The non-asset portion of our model is predominately variable cost and includes our brokerage operations, as well as contracted capacity with independent providers. As of December 31, 2019, globally, we had approximately 10,000 independent carriers and owner-operators under contract to provide drayage, expedite, last mile and LTL services to our customers, and more than 50,000 independent brokered carriers representing over 1,000,000 trucks on the road.

The asset portion of our transportation model encompasses approximately 15,500 tractors and 40,000 trailers; these are primarily related to our LTL operations in North America and our full truckload operations in Europe. We employ professional drivers in both regions to transport goods for our customers, using our assets. Our owned fleet also provides supplemental capacity for our freight brokerage operations as needed.

Logistics Segment

XPO is the second largest global provider of contract logistics based on facility space, with the largest outsourced e-fulfillment platform in Europe. We have deep expertise in key verticals and strong positions in fast-growing sectors. Our Logistics segment, which we also refer to as supply chain or contract logistics, contributed approximately 36% to our consolidated revenue in 2019, compared with 35% and 34% in 2018 and 2017, respectively.

We provide a range of logistics services that help our customers meet their objectives while controlling costs and improving efficiency. Our services include highly engineered, customized solutions, as well as value-added warehousing and distribution, e-commerce and omnichannel fulfillment, cold-chain solutions, reverse logistics, packaging and labeling, factory support, aftermarket support, inventory management, order personalization and supply chain optimization. In addition, we provide highly engineered solutions and optimization services, such as production flow management. Once we secure a logistics contract, the average customer tenure is approximately five years and the relationship can expand to include a wider range of services, such as inbound and outbound logistics.

Our competitive positioning in logistics is as a technology leader. We are innovative and agile, with the ability to handle complex implementations, and we are a proponent of advanced automation. Reverse logistics, also called returns management, is a fast-growing area of contract logistics and one in which we have a reputation as a quality provider. In 2019, we managed about 170 million returns. It is a multifaceted service that includes inspections, repackaging, refurbishment, resale or disposal, refunds and warranty management. These are high-value services for any company with consumer end-markets, as consumers are increasingly test-driving the products they buy online.

As of December 31, 2019, we operated 200 million square feet (19 million square meters) of contract logistics facility space worldwide. Approximately 104 million square feet (10 million square meters) was located in North America and Asia, where we are a market leader in logistics capacity, and 96 million square feet (9 million square meters) was located in Europe, where we are a top five industrial tenant. Customers served by our Logistics segment include many of the preeminent names in retail and e-commerce, food and beverage, technology, aerospace, wireless, industrial and manufacturing, chemical, agribusiness, life sciences and healthcare.

Our logistics network benefits from strong positioning in the high-growth e-commerce sector. We are the largest outsourced e-fulfillment provider in Europe, and we have a major platform for e-fulfillment in North America, where we provide solutions for high-volume omnichannel distribution and reverse logistics. E-commerce is

predicted to continue to grow globally at a double-digit rate through at least 2022, making it difficult for many companies to handle fulfillment in-house while providing high levels of service.

Our experience with fast-growing e-commerce categories makes us a valuable partner to customers who want to outsource order fulfillment and personalization, product returns, testing, refurbishment, warranty management, refunding and other service-intensive parts of the supply chain. Together with XPO Direct™, our shared space distribution offering, our Logistics segment provides e-commerce companies with superior control, flexible warehousing and staffing, advanced automation and predictive analytics that help manage peaks in demand.

Operating Philosophy

We believe that our rapid pace of innovation differentiates XPO's services and makes the most of the talent and assets within our organization. Our technology is a way for us to strengthen our relationships with customers and serve them as completely as possible. Our industry is evolving, and customers value our ability to solve complex problems with sophisticated, customized solutions underpinned by our digitalization and data science.

We concentrate our technology efforts in four areas: our digital freight marketplace, automation and intelligent machines, dynamic data science, and visibility and customer service, specifically in the e-commerce supply chain. Our 2019 investment in technology was among the highest in our industry at approximately \$550 million. Our global team of approximately 1,800 technology professionals works closely with our operations in North America and Europe, and can deploy proprietary software very rapidly on our cloud-based platform.

We prioritize innovations that can benefit our customers and create value for our shareholders. For example, our XPO Connect™ digital marketplace gives our transportation customers a birds-eye view of real-time market conditions and available capacity. It matches shippers and carriers with digital efficiency, benefitting both parties and contributing to financial performance. See the "Transportation Services" and "Technology and Intellectual Property" sections below for more information.

In addition to our focus on technology, we have a strong commitment to sustainability. This is an area where we have already set an example in the industry. In the United States ("U.S."), XPO has been named a Top 75 Green Supply Chain Partner by Inbound Logistics for four consecutive years, and in 2016 we were awarded the label "Objectif CO2" for outstanding environmental performance of transport operations in Europe by the French Ministry of the Environment and the French Environment and Energy Agency. In Spain, all of our sites meet Leadership in Energy and Environmental Design ("LEED") energy certification standards for 100% consumption of renewable energy. In the United Kingdom ("U.K."), the warehouse of the future we created with Nestlé is scheduled to open in mid-year 2020. It utilizes environmentally friendly ammonia refrigeration systems, energy-saving light-emitting diode ("LED") lighting, air-source heat pumps for administration areas and rainwater harvesting.

A number of our logistics facilities are ISO14001-certified, which ensures environmental and other regulatory compliances. We monitor fuel emissions from forklifts in our warehouses, and we have protocols in place to take immediate corrective action if needed. Our packaging engineers ensure that the optimal carton size is used for each product slated for distribution, and when feasible, we purchase recycled packaging. As a byproduct of our reverse logistics operations, we recycle millions of electronic components and batteries each year.

In transportation, we have made substantial investments in fuel-efficient Freightliner Cascadia tractors in North America; these use Environmental Protection Agency ("EPA") 2013-compliant and Greenhouse Gas 2014-compliant Selective Catalytic Reduction technology. Our North American LTL locations have energy-saving policies in place and are implementing a phased upgrade to LED lighting. In Europe, we own one of the industry's most modern road fleets: 98% compliant with Euro V, EEV and Euro VI standards.

We also own a large fleet of natural gas trucks operating in France, the U.K., Spain and Portugal and, in 2019, we invested in 100 new Stralis Natural Power Euro VI tractors for our LTL network in France. These tractors use a combination of liquified and compressed natural gas ("LNG/CNG") to generate lower NOx emissions than the Euro VI standard and reduce noise in densely populated areas. In Spain, we use government-approved mega-trucks that can significantly reduce CO₂ emissions due to their larger carrying capacity. Our last mile operations in Europe are piloting electric vehicles for deliveries in urban areas, reducing those emissions to zero.

Transportation Services

Our Transportation segment includes freight brokerage (which encompasses truck brokerage, intermodal, drayage and expedite), last mile, LTL, full truckload, global forwarding and managed transportation services.

Our XPO Connect™ digital freight platform is continually improving our transportation services through visibility and automation, making us more productive and differentiating our services. We are able to customize the user experience based on business-to-business (“B2B”) shipper and carrier requirements load by load, and business-to-consumer (“B2C”) consumer expectations for last mile service. The platform’s multimodal architecture is the foundation for ongoing innovations across our transportation ecosystem. See the “Technology and Intellectual Property” section below for more information.

Freight Brokerage, including Truck Brokerage, Intermodal, Drayage and Expedite

Our truck brokerage operations are non-asset-based — we place shippers’ freight with qualified carriers, primarily trucking companies. Customers offer loads to us via electronic data interchange, email, telephone and the internet on a daily basis. Truck brokerage services are priced on either a spot market or contract basis for shippers. We collect payments from our customers and pay carriers for transporting customer loads. Our proprietary, cloud-based brokerage platform, Freight Optimizer, gives us real-time visibility into truckload supply and demand. Freight Optimizer is also the core technology engine behind XPO Connect™.

Our intermodal operations are asset-light; we provide customers with container capacity, brokered rail transportation, drayage transportation via independent contractors, and on-site operational services. We utilize containers and chassis we lease or own, together with access to supplemental capacity, to meet our customers’ intermodal requirements.

We offer our door-to-door intermodal services to a wide range of customers in North America, including large industrial and retail shippers, transportation intermediaries, such as intermodal marketing companies, and steamship lines. To facilitate these services, we work with the railroads in providing the long-haul portion of freight shipments, and we contract with independent drayage trucking companies for local pickup and delivery of the containers. We also provide customized electronic tracking and analysis of market prices and negotiated rates through our proprietary Rail Optimizer technology, which we use to determine the optimal configurations of truck and rail.

Our expedite operations are predominantly non-asset-based — we use a network of contracted owner-operators for expedited ground transportation, and an electronic bid platform for air charter loads. Another large component of our expedite offering is our proprietary transportation management system (“TMS”), which awards loads electronically based on online bids by carriers. These transactions primarily happen on a machine-to-machine basis. Our purpose-built TMS initiates a new auction on the internet, and we take a fee for facilitating the process.

Our expedite services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which require special handling. Urgent needs for expedited transportation typically arise due to tight tolerances in a customer’s supply chain, or some kind of disruption to the supply chain.

Expedite customers most often request our services on a per-load transactional basis through our offices or via our proprietary online portals. Only a small percentage of loads are scheduled for future delivery dates. We operate an ISO 9001:2008-certified call center that gives our customers on-demand status updates related to their expedited shipments.

Last Mile Logistics

Our last mile operations in North America and Europe primarily specialize in heavy goods, including appliances, furniture, large electronics and other items that are larger-than-parcel. We have an industry-leading network of 85 last mile hubs in North America positioned within 125 miles of approximately 90% of the U.S. population and we are expanding our last mile delivery service in Europe.

Last mile comprises the final stage of the delivery from a local distribution center or retail store to the end-customer’s home or business. It is a fast-growing industry sector that serves blue chip retailers and e-commerce companies, as well as smaller retailers with limited in-house capabilities for deliveries and installations. Incremental services are often required, such as positioning the product in the room of choice, unpacking, assembly, utility

connection, installation, testing, and removal of an old product. We use independent contractors to perform these services, making our last mile operations asset-light.

Important aspects of last mile service are responsiveness to seasonal demand, economies of scale, advanced technology and an ability to provide a consistently high-quality experience. We use our proprietary technology to collect customer feedback, monitor carrier performance, manage capacity and communicate digitally with consumers to protect the brands of the retailers, e-tailers and manufacturers we serve.

Less-Than-Truckload (LTL)

In North America, our LTL operations are asset-based. We own one of the industry's largest fleets of tractors and trailers for linehaul, pickup and delivery, employ professional drivers and have a national network of terminals. We provide our customers with critical density and day-definite regional, inter-regional and transcontinental LTL freight services. As of December 31, 2019, our LTL operations in North America offered more than 75,000 next-day and two-day lanes, encompassing approximately 99% of all U.S. zip codes. We also provide cross-border service to and from Mexico and Canada, as well as intra-Canada service.

In Europe, our LTL operations utilize a blend of asset-based and asset-light capacity — XPO fleet and contracted carriers — supported by a network of terminals. We provide LTL services domestically in France, the U.K. and Spain, and offer multinational LTL distribution throughout Europe.

Full Truckload

Our asset-based full truckload service operates almost entirely in Europe, where we are a leading provider. For many customers, we function as a dedicated contract carrier, providing truckload capacity by utilizing our tractors, trailers and drivers. In 2019, dedicated truckload was a significant contributor to our Transportation revenue in Europe. We also provide capacity on a transactional basis for the transportation of packaged goods, high cube products and bulk goods. We provide full truckload services domestically in France, the U.K., Spain, Poland, Romania, Italy, Portugal and Slovakia, and internationally throughout Europe.

Global Forwarding

Our global forwarding operations are asset-light; we provide logistics services for domestic, cross-border and international shipments through our relationships with ground, air and ocean carriers and a network of XPO and agent-owned offices. Our freight forwarding capabilities are not restricted by size, weight, mode or location, and therefore are potentially attractive to a wide market base.

As part of our global forwarding network, we operate subsidiaries as non-vessel-operating common carriers (“NVOCC”) to transport our customers' freight by contracting with vessel operators. We are also a customs broker licensed by the U.S. Customs and Border Protection Service. This enables us to provide customs brokerage services to direct domestic importers, other freight forwarders and NVOCCs, and vessel-operating common carriers.

Managed Transportation

XPO is a top five global provider of managed transportation. We provide this non-asset service to shippers who want to outsource some or all of their transportation modes and related activities. These activities can include freight handling, such as consolidation and deconsolidation, labor planning, inbound and outbound shipment facilitation, documentation and customs management, claims processing and third-party logistics (“3PL”) supplier management.

The three arms of our managed transportation offering are control tower solutions, managed expedite through our proprietary, web-based platform, and dedicated capacity. Our control tower experts design the optimal routes for a given supply chain, source the most efficient carriers and ensure a high level of performance. Our dedicated service is a turnkey solution we tailor for each customer, complete with drivers, tractors, trailers, maintenance, management, fuel and Key Performance Indicator (“KPI”) reporting.

Logistics Services

Our Logistics segment provides a wide range of services differentiated by our technology and our ability to customize solutions for customers. These services include value-added warehousing, distribution and inventory management, omnichannel and e-commerce fulfillment, order personalization, reverse logistics, cold chain

solutions, packaging and labeling, factory support and aftermarket support. In addition, the segment provides highly engineered, customized solutions and supply chain optimization services, including advanced automation and predictive volume flow management.

Our logistics customers operate primarily in industries with high-growth outsourcing opportunities, such as retail and e-commerce, food and beverage, technology, aerospace, wireless, manufacturing and other industrial, chemical, agribusiness, life sciences and healthcare. We have extensive experience in these verticals, and we understand the demanding requirements for quality standards, real-time visibility, special handling, security, complex stock-keeping, time-assured deliveries and agility during seasonal surges in certain sectors.

Contract logistics processes are ripe for transformation through technology. Order fulfillment times are compressing, most notably in the direct-to-consumer space. The most cost-effective way to meet customer expectations is through advanced automation and intelligent machines — robots and cobots (collaborative robots), automated sortation systems, automated guided vehicles (“AGVs”) and goods-to-person systems. In 2019, we integrated collaborative robotics and goods-to-person systems in a number of our sites to support our warehouse employees.

We have also developed analytics that predict future surges in demand based on data histories and forecasted customer spend. About 10% to 35% of all e-commerce orders result in returned goods, which creates reverse peaks at certain times of year. We have been able to shave several days off the reverse process through automation, accelerating our customers’ ability to get product back on the shelf for resale.

In addition to our investments in automation and analytics, we have differentiated XPO from other logistics providers through our ability to create a synchronized environment across automation platforms. Our proprietary warehouse management platform (“WMx”), integrates robotics and other advanced automation into our operations with a high degree of control, even when complex, third-party software is involved. Our warehouse platform is a key competitive advantage, particularly in multichannel environments.

Other technologies that differentiate our logistics offering are our proprietary tools for order management tool (“OMx”), which gives customers deep visibility into fulfillment flows, and our business analytics dashboard (“BMx”), which gives customers XPO tools to manage their supply chains. Our connection management software (“CMx”) facilitates the seamless integration of SAP, Oracle and other customer systems, enabling us to engage in sophisticated demand planning.

XPO Direct™

XPO Direct™ is our shared-space distribution network in North America; we designed it to capitalize on the strengths of our Logistics and Transportation segments in combination. Our technology links strategically located logistics sites and last mile hubs, giving customers the flexibility to reposition inventory close to demand as geographic patterns change. Our facilities serve as stockholding sites and cross-docks that can be utilized by multiple customers at the same time. Transportation needs are supported by our brokered, contracted and owned capacity.

XPO Direct™ gives companies a way to manage B2C and B2B fulfillment using our scale and capacity, without the capital investment of adding high-fixed-cost distribution centers. We can position goods within one-day and two-day ground transportation range of approximately 90% of the U.S. population and in close proximity to retail stores for rapid inventory replenishment.

Our Strategy

Our strategy is to help customers manage their goods most efficiently throughout their supply chains, using our network of people, technology and physical assets. We deliver value to customers in the form of process efficiencies, cost efficiencies, reliable outcomes, technological innovations and service that is both highly responsive and proactive. As part of our strategy, we continuously seek to become more efficient in our own operations. We do this by looking for ways to leverage our strengths and solve as many supply chain challenges as possible for our customers. For example, a transportation customer in North America may utilize our truck brokerage, intermodal and expedite solutions. Additionally, we have positioned XPO to capitalize on the ongoing growth in e-commerce and on secular trends in demand, such as outsourcing and just-in-time inventory practices.

In addition, we have a comprehensive framework of processes for recruiting, training and mentoring our employees, and for marketing to the hundreds of thousands of prospective customers in our existing markets. Most important to our growth, we have instilled a culture that focuses our efforts on delivering results for our customers and our Company.

Management's growth and optimization strategy for the Transportation segment is to:

- Market our diversified, multimodal solutions and expertise to customers of all sizes, both new and existing accounts;
- Market the advantages of our proprietary XPO Connect™ digital marketplace, which synthesizes data science, digital automation and real-time visibility for a superior shipper-carrier-consumer experience;
- Recruit and retain quality drivers, and best utilize our driver and equipment capacities;
- Attract and retain quality independent owner-operators and independent brokered carriers for our carrier network;
- Recruit and retain talented sales and customer service representatives, and continuously improve employee productivity with state-of-the-art training and technology; and
- Integrate industry-best practices, with a focus on automation and analytics that drive productivity and share gains.

Management's growth and optimization strategy for the Logistics segment is to:

- Develop additional business in verticals where we already have deep logistics expertise and a strong track record of successful relationships;
- Capture more share of wallet with existing customers who could use our logistics solutions for more of their supply chain needs;
- Market the advantages of our proprietary WMx technology suite, which we use to manage advanced automation, robotics, labor productivity, safety and changes in demand in complex warehouse environments;
- Partner with our customers in meeting their goals for supply chain performance, growth management and stakeholder satisfaction, and help them overcome challenges specific to their business; and
- Integrate industry-best practices, with a focus on automation and analytics that drive productivity and share gains.

Potential Strategic Alternatives

In January 2020, we announced that XPO has commenced a review of strategic alternatives, including the possible sale or spin-off of one or more of our business units, in order to maximize shareholder value. A timetable has not been set for the completion of the review process and we have not determined which, if any, business units would be sold or spun off. However, we do not intend to sell or spin off our North American less-than-truckload unit.

Technology and Intellectual Property

One of the ways in which we empower our employees to deliver superior service is through our proprietary technology. We believe that the continual enhancement of our technology is critical to our success. It represents one of our largest categories of investment. We have built a highly scalable platform on the cloud to speed the deployment of new ways to increase efficiency, control costs and leverage our footprint. We can develop an innovation for one of our service lines and distribute it across different geographies and services to derive widespread benefits. This same platform also provides a way to address opportunities in real time, with constant feedback loops that engage our operators and customers.

In 2019, we made considerable technological progress, including these highlights:

XPO Smart™ is our proprietary suite of intelligent tools and analytics that self-adjusts site by site to drive productivity across our operations. It incorporates dynamic data science, predictive analytics and machine learning

to aid our managers in decision-making. We use XPO Smart™ to improve our labor and inventory management in a safe, disciplined, and cost-effective manner.

As of December 31, 2019, we had implemented XPO Smart™ in all our LTL dock operations and over 100 of our logistics sites in North America, with a roll-out underway in our logistics network in Europe.

Intelligent automation is a priority for us in logistics. This includes autonomous robots and collaborative robots, automated sortation systems, automated guided vehicles, goods-to-person systems and virtual reality assistance. We integrate and control these technologies in-house using WMx, our proprietary warehouse management platform. Advanced automation and robotics deliver critical improvements in speed, control, accuracy and productivity and, importantly, also enhance worker safety and the overall quality of employment.

For Nestlé, the world's largest food and beverage company, we have co-developed a fully automated warehouse of the future in the U.K., scheduled to open in mid-2020. It is expected to have the highest throughput of any facility in Nestlé's global fulfillment network. Our European innovation lab is being relocated to this site, where it will function as both a think tank and a technology launch pad.

XPO Connect™, our proprietary digital freight marketplace, incorporates our core Freight Optimizer platform, shipper interface, pricing engine, carrier interface and our carrier mobile app, called Drive XPO™. The architecture provides visibility across multiple transportation modes, establishing the groundwork to continually improve our service, capture share and reduce costs. Our truck brokerage, last mile, managed transportation and global forwarding operations are now using the XPO Connect™ platform.

This fully automated, self-learning digital platform connects shippers with carriers, both virtually and through our operations. We give shippers access to our carrier transportation network and predictive data, while carriers connect through the app. As of December 31, 2019, we had more than 40,000 U.S. truck carriers registered for XPO Connect™. The current capabilities of the marketplace, and the tremendous potential of future applications, establish this technology as a significant differentiator across our transportation services.

In LTL, our technology roadmap focuses on the main components of the service lifecycle. Our North American LTL linehaul network moved freight approximately 2.5 million miles a day on average in 2019, with approximately 15% of that volume traveling direct. With intelligent route-building, such as bypass optimization, we can reduce empty miles, improve load factor and mitigate cargo damage. Our proprietary linehaul bypass models work with massive amounts of data to arrive at recommendations based on volume and density, taking freight dimensions into account to identify gaps in trailer utilization.

Other areas of LTL that are ripe for optimization through our technology include pickup-and-delivery routing, pricing management, trailer utilization, exception management and dock productivity. While each component delivers its own benefits, we also expect a strong synergistic effect on our LTL operations as a whole. For example, as we optimize truck routes, this benefits asset utilization, driver utilization and customer service, and should reduce our carbon footprint by decreasing empty miles.

In last mile, we recently launched XPO Connect™ in our last mile service for heavy goods and we've moved our first large customer onto the platform. We expect to have the technology pushed out to all last mile customers in early 2020, providing real-time ETAs for home deliveries, and enabling custom notifications and e-rescheduling. We have other proprietary last mile technology that we use to engage consumers in the delivery process, gather real-time feedback post-delivery and maintain superior satisfaction levels, which helps our retail and e-tail customers build brand loyalty. Consumers can track their online orders of heavy goods using our web portal, text messaging and voice-activated smart speakers, and use our augmented reality tool to visualize an item inside their home. We are the only last mile provider for heavy goods to invest in digital consumerization to this degree.

In October 2019, we became the first global logistics company to partner with the Massachusetts Institute of Technology ("MIT") in its Industrial Liaison Program to advance business innovation. This is a unique opportunity for us to collaborate with MIT's world-class research capabilities and realize new levels of productivity for our customers. At the same time, we will be providing input into the future of robotics, machine learning and systems engineering.

Customers and Markets

We provide services to a variety of customers, ranging in size from small, entrepreneurial organizations to Fortune 500 companies and global leaders. We have a diversified base of more than 50,000 customers that minimizes our concentration risk. In 2019, our top five customers accounted for approximately 8% of our revenue.

In addition, our markets are highly diversified. The customers we serve span every major industry and touch every part of the economy. Our revenue derives from a mix of key verticals, such as retail and e-commerce, food and beverage, consumer packaged goods and industrial.

Our transportation services are marketed primarily in North America and Europe, whereas our logistics and global forwarding networks serve global markets with concentrations in North America, Europe and Asia. For the full year 2019, approximately 59% of our revenue was generated in the U.S., 14% in Europe (excluding France and the U.K.), 12% in France and 12% in the U.K.

Competition

Transportation and logistics are highly competitive and fragmented marketplaces, with thousands of companies competing domestically and internationally. XPO competes on quality of service, reliability, scope and scale of operations, technological capabilities and price. Our competitors include local, regional, national and international companies that offer the same services we provide; some have larger customer bases, significantly more resources and more experience than we have. Additionally, some of our customers have sufficient internal resources to perform services we offer. Due in part to the fragmented nature of the industry, we must strive daily to retain existing business relationships and forge new relationships.

The health of the transportation and logistics industries will continue to be a function of domestic and global economic growth. However, we believe that we have positioned XPO in fast-growing sectors to benefit from secular trends in demand, such as e-commerce and outsourcing.

Regulation

Our operations are regulated and licensed by various governmental agencies in the U.S. and in other countries where we conduct business. These regulations impact us directly and indirectly by regulating third-party transportation providers we arrange and/or contract with to transport freight for our customers.

Regulation Affecting Motor Carriers, Owner-Operators and Transportation Brokers. In the U.S., our subsidiaries that operate as motor carriers and freight transportation brokers are licensed by the Federal Motor Carrier Safety Administration (“FMCSA”) of the U.S. Department of Transportation (“DOT”). Our motor carrier subsidiaries and the third-party motor carriers we contract with in the U.S. must comply with the safety and fitness regulations of the DOT, including those related to controlled substances and alcohol, hours-of-service compliance, vehicle maintenance, hazardous materials compliance, driver fitness, unsafe driving, and minimum insurance requirements. Weight and equipment dimensions also are subject to government regulations. We also may become subject to new or more restrictive regulations relating to emissions, drivers’ hours-of-service, independent contractor eligibility requirements, onboard reporting of operations, air cargo security and other matters affecting safety or operating methods. Other agencies, such as the U.S. EPA, the U.S. Food and Drug Administration (“FDA”), the California Air Resources Board (“CARB”) and the U.S. Department of Homeland Security (“DHS”), also regulate our equipment, operations and independent contractor drivers. Like the third-party carriers with which we contract, we are subject to a variety of vehicle registration and licensing requirements in certain states and local jurisdictions where we operate. In foreign jurisdictions where we operate, our operations are regulated by the appropriate governmental authorities.

In 2010, the FMCSA introduced the Compliance Safety Accountability program (“CSA”), which uses a Safety Management System (“SMS”) to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories, or “BASICS.”

Although the CSA ranks are not currently publicly available, this development is likely to be temporary. As a result, our fleet could be ranked worse or better than our competitors, and the safety ratings of our motor carrier operations could be impacted. Our network of third-party transportation providers may experience a similar result. A reduction in safety and fitness ratings may result in difficulty attracting and retaining qualified independent contractors and

could cause our customers to direct their business away from XPO and to carriers with more favorable CSA scores, which would adversely affect our results of operations.

In addition, nearly all carriers and drivers that are required to maintain records of duty status, including certain of XPO's motor carrier subsidiaries and drivers, have been required to install electronic logging devices ("ELDs"). ELD use may increase costs for independent contractors and other third-party carriers who provide services to XPO and may impact driver recruitment.

Regulations Affecting our Subsidiaries Providing Ocean and Air Transportation. XPO Customs Clearance Solutions, LLC ("XCCS") and XPO GF America, Inc. ("XGFA"), two of our subsidiaries, are licensed as U.S. Customs brokers by the U.S. Customs and Border Protection (the "CBP") of the DHS in each U.S. district where they perform services. All U.S. Customs brokers are required to maintain prescribed records and are subject to periodic audits by the CBP. In non-U.S. jurisdictions where we perform customs brokerage services, our operations are licensed, where necessary, by the appropriate governmental authorities.

Our subsidiaries offering expedited air charter transportation are subject to regulation by the Transportation Security Administration ("TSA") of the DHS governing air cargo security for all loads, regardless of origin and destination. XPO Global Forwarding, Inc. ("XGF"), XGFA and XPO Air Charter, LLC are regulated as "indirect air carriers" by the TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry.

Regarding our international operations, XGF and XGFA are members of the International Air Transportation Association ("IATA"), a voluntary association of airlines and freight forwarders that outlines operating procedures for forwarders acting as agents or third-party intermediaries for IATA members. A substantial portion of XPO's international air freight business is transacted with other IATA members.

Additionally, XGF, XGFA and XCCS are each licensed as an Ocean Transportation Intermediary ("OTI") and are each Ocean Freight Forwarders ("OFF") licensed by the U.S. Federal Maritime Commission ("FMC"), which establishes the qualifications, regulations and bonding requirements for arranging transportation to or from the U.S. as an OTI (OTIs include both NVOCCs and OFFs). XGF and XGFA are also licensed as NVOCCs.

Our OTI operations are subject to regulations of the U.S. Department of State, the U.S. Department of Commerce and the U.S. Department of Treasury, and to various laws and regulations of the other countries where we operate. These laws and regulations govern what commodities may be shipped to what destinations and to what end-users, unfair international trade practices, limitations on entities with which we may conduct business and related matters.

Other Regulations. We are subject to a variety of other U.S. and foreign laws and regulations, including, but not limited to, the Foreign Corrupt Practices Act and other anti-bribery and anti-corruption statutes. We are also subject to state and U.S. federal laws and regulations addressing some types of cargo transported and/or stored by our subsidiaries, or transported pursuant to a government contract or subcontract.

Classification of Independent Contractors. Tax and other federal and state regulatory authorities, as well as private litigants, continue to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors, while applying a variety of standards in their determinations of independent contractor status. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements and heighten the penalties for companies who misclassify workers and are found to have violated overtime or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor, which allows taxpayers that meet certain criteria to treat individuals as independent contractors if they are following a longstanding, recognized practice. Federal legislators also sought to expand the Fair Labor Standards Act to cover "non-employees" who perform labor or services for businesses, even if said non-employees are properly classified as independent contractors; require taxpayers to provide written notice to workers based upon their classification as either an employee or a non-employee; and impose penalties and fines for violations of the notice requirement or for misclassifications. Some states have launched initiatives to increase tax revenues from items such as unemployment, workers' compensation and income taxes, and the reclassification of independent contractors as employees could help states increase these revenues. If the independent contractor drivers that provide services to XPO are determined to be our employees, we would incur additional exposure under some or all of the following: federal and

state tax, workers' compensation, unemployment benefits, and labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

Environmental Regulations. Our transportation and logistics facilities and operations and our independent contractors are subject to various environmental laws and regulations dealing with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel tanks and related fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. Similar laws and regulations may apply in many of the foreign jurisdictions in which we operate. We may be responsible for the cleanup of any spill or other incident involving hazardous materials caused by our business. In the past, we have been responsible for the cost to clean up diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and only a small percentage of our total loads contain hazardous materials.

We believe that our operations are in substantial compliance with current laws and regulations and we do not know of any existing environmental condition that reasonably would be expected to have a material adverse effect on our business or operating results. A number of our logistics sites are ISO14001-certified to high standards for environmental management, and we have implemented numerous programs to manage environmental risks and maintain compliances. Future changes in environmental regulations or liabilities from newly discovered environmental conditions or violations (and any associated fines and penalties) could have a material adverse effect on our business, competitive position, results of operations, financial condition or cash flows. U.S. federal and state governments, as well as governments in certain foreign jurisdictions where we operate, have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could result in higher costs for new tractors and trailers, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

Risk Management and Insurance

We maintain insurance for commercial automobile liability, truckers' commercial automobile liability, commercial general liability, cargo/warehouse legal liability, workers' compensation and employers' liability, and umbrella and excess umbrella liability, with coverage limits, deductibles and self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. Certain actuarial assumptions and managerial judgments are made for insurance reserves and are subject to a degree of variability.

Seasonality

Our revenue and profitability are typically lower for the first quarter of the calendar year relative to other quarters. We believe this is due in part to the post-holiday reduction in demand experienced by many of our customers, which leads to more available capacity and less demand for expedited and premium shipping services. In addition, the productivity of our tractors and trailers, independent contractors and transportation providers generally decreases during the winter season because inclement weather impedes operations. In contrast, our logistics network benefits from strong positioning in the e-commerce sector, where demand is characterized by strong seasonal surges in activity; the fourth quarter peak is typically the most dramatic, when holiday orders are placed online. It is not possible to reliably predict whether our historical revenue and profitability trends will continue to occur in future periods.

Employees

As of December 31, 2019, we have approximately 100,000 full-time and part-time employees. Our employee base is one of our most critical resources, and we view the recruitment, training and retention of qualified employees as being essential to our ongoing success. We believe that we have good relations with our employees, with strong programs in place for communication and professional development.

Information about our Executive Officers

The following information relates to each of our executive officers:

Name	Age	Position
Bradley S. Jacobs	63	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	50	President
Sarah J.S. Glickman	50	Acting Chief Financial Officer
Mario A. Harik	39	Chief Information Officer
Kurt M. Rogers	48	Chief Legal Officer

Bradley S. Jacobs has served as XPO's chairman of the board of directors and chief executive officer since September 2011. He is also the managing director of Jacobs Private Equity, LLC, which is XPO's second largest stockholder. Mr. Jacobs has led two other public companies prior to XPO: United Rentals, Inc., which he founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman of United Rentals from 1997 to 2007, and as chief executive officer from 1997 to 2003. He served as chairman and chief executive officer of United Waste Systems from 1989 to 1997.

Troy A. Cooper has served as XPO's president since April 2018, after formerly serving as XPO's chief operating officer from 2014 to 2018, and as Transportation segment leader. From September 2015 to September 2017, he also served as chief executive officer and chairman of XPO Logistics Europe. Mr. Cooper joined XPO in September 2011 as vice president of finance. Prior to XPO, Mr. Cooper served as vice president and group controller with United Rentals, Inc., where he was responsible for field finance functions and helped to integrate over 200 acquisitions in the U.S., Canada and Mexico. Earlier, he held controller positions with United Waste Systems, Inc. and OSI Specialties, Inc. (formerly a division of Union Carbide, Inc.). He began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

Sarah J.S. Glickman has served as XPO's acting chief financial officer since August 2018, after joining XPO in June 2018 as senior vice president, corporate finance. Prior to XPO, Ms. Glickman served as chief financial officer of business services for Novartis from January 2017 to May 2018, and held executive roles with Honeywell International from March 2006 to November 2016 and, prior to Honeywell, Bristol-Myers Squibb. During her 11 years with Honeywell, she served as chief financial officer of the fluorine products business, and as head of internal audit and director of finance operations. With Bristol-Myers Squibb, she had senior responsibility for corporate controllership and accounting, financial controls and compliance. Ms. Glickman began her career at PricewaterhouseCoopers. She is a certified public accountant and a Chartered Accountant with a degree in economics from the University of York (UK).

Mario A. Harik has served as XPO's chief information officer since November 2011. Mr. Harik has built comprehensive IT organizations, overseen the implementation of extensive proprietary platforms, and consulted to Fortune 100 companies. His prior positions include chief information officer and senior vice president of research and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and architect and consultant with Adea Solutions. Mr. Harik holds a master's degree in engineering, information technology from Massachusetts Institute of Technology, and a degree in engineering, computer and communications from the American University of Beirut, Lebanon.

Kurt M. Rogers has served as XPO's chief legal officer since February 2020. Mr. Rogers joined XPO from Stericycle, Inc., a global leader in medical waste management, where he served as executive vice president and general counsel from 2017 to 2020. He was previously chief legal officer of cloud communications leader Vonage Holdings Corp. for seven years. At Stericycle and Vonage, he led the negotiation and execution of numerous strategic initiatives. Earlier, he was a partner at Bingham McCutchen LLP and at Latham & Watkins LLP, specializing in intellectual property and litigation. He received his juris doctorate degree from Cornell Law School and his bachelor's degree from Cornell University.

Available Information

Our corporate website is www.xpo.com. On this website, you can access, free of charge, our reports on Forms 10-K, 10-Q and 8-K, as well as specialized disclosure reports on Form SD, Proxy Statements on Schedule 14A and amendments to these materials. Materials are available online as soon as reasonably practicable after we electronically submit them to the SEC. You can also access materials regarding our corporate governance policies and practices, including our Corporate Governance Guidelines, Code of Business Ethics and the charters relating to the committees of our board of directors. You also may request a printed copy of these materials without charge by writing to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

ITEM 1A. RISK FACTORS

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 on Form 10-K 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.

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. 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 and relations 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 cycles 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;
- 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 EU, have imposed tariffs on certain goods imported from the U.S. These actions contributed to weakness in the global economy that could adversely affect our results of operations, and such weakness could continue in 2020. 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.
- 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; and
- 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.

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:

- 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;
- 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;
- 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;
- The establishment by our competitors of cooperative relationships to increase their ability to address shipper needs;
- Decisions by our current or prospective customers to develop or expand internal capabilities for some of the services we provide; and
- The development of new technologies or business models that could result in our disintermediation in certain services we provide.

Our profitability may be materially adversely impacted if our investments in equipment, service centers and warehouses 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 contract logistics operations can require a significant commitment of capital in the form of shelving, racking and other warehousing systems that may be required to implement warehouse-management services for our customers. To the extent that a customer defaults on its obligations under its agreement with us, we could be forced to take a significant loss on the unrecovered portion of this capital cost.

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.

Our exploration of strategic alternatives is subject to various risks and uncertainties, may not result in any completed transactions and will involve significant time and expense, which could disrupt or adversely affect our business.

On January 15, 2020, we announced that our board of directors had authorized a review of strategic alternatives, including the possible sale or spin-off of one or more of our business units. Whether or not any such transaction or transactions are completed, our business may face significant risks, including, without limitation:

- The diversion of management's attention from operating our ongoing businesses and the overall impact on our businesses because of management's attention to the review of strategic alternatives;

- Potential difficulty in maintaining employee morale and retaining key management and other employees;
- Potential difficulty in separating assets related to such businesses from the businesses we retain;
- The need to obtain regulatory approvals and other third-party consents, which could potentially disrupt customer and supplier relationships;
- Foreseen and unforeseen dis-synergy costs, costs of restructuring transactions (including taxes) and other significant costs and expenses; and
- Potential negative reactions from the financial markets if we do not complete one or more transactions.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and/or the price of our common stock.

If one or more business units is sold or spun off, we will be a smaller, less diversified company than we are today.

A sale or spin-off of one or more of our business units will result in us being a smaller, less diversified company with a more concentrated area of focus. Following a potential sale or spin-off, we will be reliant on our remaining business units. As a result, we may become more vulnerable to changing market conditions, 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 spin-off, such that our results of operations, cash flows, working capital, effective tax rate and financing requirements may be subject to increased volatility 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 were sold or spun off. Those costs may exceed our estimates or could diminish the benefits we expect to realize.

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 improve 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 existing company, including the assumption of unanticipated liabilities and contingencies, difficulties in integrating acquired businesses, possible management distractions, or the inability of the acquired 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.

If the performance of our reporting segments or an acquired business varies from our projections or assumptions, or if estimates about the future profitability of our reporting segments or an acquired business change, our revenues, earnings or other aspects of our financial condition could be adversely affected. We may also experience difficulties in connection with integrating any acquired companies into our existing businesses and operations, including our existing infrastructure and information technology systems. The infrastructure and information technology systems of acquired companies could present issues that we were unable to identify prior to the acquisition and that could adversely affect our financial condition and results; we have experienced challenges of this nature relating to the infrastructure and systems of certain past companies that we acquired. Also, we may not realize all of the synergies we anticipate from past and potential future acquisitions. Among the synergies that we currently expect to realize are cross-selling opportunities to our existing customers, network synergies and other operational synergies. Any of these events could adversely affect our financial condition and results of operations.

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 rapid growth, including organic growth and 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.

Our growth will place a significant strain on our management, operational, financial and information technology resources. We will need 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 will 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.

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 and logistics providers. To keep pace with changing technologies and customer demands, we must correctly address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends. 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. In addition, we may fail to accurately determine the needs of our customers or trends in the transportation and logistics industries, or we may fail to respond appropriately by implementing functionality for our technology platform in a timely or cost-effective manner. 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 for both of our business segments. 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 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 sales and marketing, financial, legal and compliance functions, engineering and product development tasks, research and development data, communications, logistics 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 for risk management, 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 effectiveness of our information technology systems and operations. The failure of our information technology systems to perform as we anticipate has in the past, and could in the future, adversely affect our business through transaction errors, billing and invoicing errors, internal recordkeeping and reporting errors, processing inefficiencies and 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 have been remedied.

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. In addition, recently, regulatory and enforcement focus on data protection has heightened in the U.S. and abroad, particularly in the EU, and 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, its reputation, results of operations and financial condition.

Our substantial indebtedness could adversely affect our financial condition.

We have substantial outstanding indebtedness, which could:

- Negatively affect our ability to pay principal and interest on our debt or dividends on our Series A Preferred Stock;
- 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 from operations 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 or our ability to execute our strategy. Further debt financing may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

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 improve our profitability. We estimate that 40% of the potential opportunity is related to revenue initiatives: advanced pricing analytics and revenue management tools, our digital freight platform, our shared distribution network and cross-selling to strategic accounts in Europe. The other 60% is related to cost initiatives: LTL process improvements, contract logistics automation, 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.

We depend on third parties in the operation of our business.

In our global forwarding, last mile and freight brokerage operations, we do not own or control the transportation assets that deliver our customers' freight, and we do not employ the people directly involved in delivering this freight. In addition, in our freight brokerage businesses (particularly our over-the-road expedite operations and intermodal drayage operations) and in our last mile business, we engage independent contractors who own and

operate their own equipment. Accordingly, we are dependent on third parties to provide truck, rail, ocean, air and other transportation services and to report certain events to us, including delivery information and cargo claims. This reliance on third parties could cause delays in reporting certain events, impacting our ability to recognize revenue and claims in a timely manner.

Our inability to maintain positive relationships with independent transportation providers could significantly limit our ability to serve our customers on competitive terms. If we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms, our operating results could be materially and adversely affected, and our customers could shift their business to our competitors temporarily or permanently. Our ability to secure sufficient equipment or other transportation services to meet our commitments to customers or provide our services on competitive terms is subject to inherent risks, many of which are beyond our control, including:

- Equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;
- Interruptions or stoppages in transportation services as a result of labor disputes, seaport strikes, network congestion, weather-related issues, “Acts of God” or acts of terrorism;
- Changes in regulations impacting transportation;
- Increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and
- Changes in transportation rates.

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 has periodically experienced and may, in 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 will likely 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 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.

Increases in independent contractor driver rates or other necessities in attracting and retaining qualified independent contractor drivers could adversely affect our profitability and ability to replenish or grow our independent contractor driver networks.

Our freight brokerage and intermodal operations rely on fleets of vehicles that are owned and operated by independent contractors. Our last mile service is also performed by independent contract carriers who supply their own vehicles, drivers and helpers. These independent contractors are responsible for maintaining and operating their own equipment and paying their own fuel, insurance, licenses and other operating costs. Turnover and bankruptcy among independent contractor drivers often limit the pool of qualified independent contractor drivers and increase competition for their services. In addition, regulations such as the FMCSA Compliance Safety Accountability program may further reduce the pool of qualified independent contractor drivers. Thus, our continued reliance on independent contractor drivers could limit our ability to grow our ground transportation networks.

We are currently experiencing difficulty in attracting and retaining sufficient numbers of qualified independent contractor drivers, and we expect to continue to experience this difficulty from time to time in the future. Additionally, our agreements with independent contractor drivers are terminable by either party without penalty and upon short notice. Consequently, we need to regularly recruit new, qualified independent contractor drivers to

replace those who have left our networks. If we are unable to retain our existing independent contractor drivers or recruit new independent contractor drivers, our business and results of operations could be adversely affected.

The rates we offer our independent contractor drivers are subject to market conditions and we may find it necessary to continue to increase independent contractor drivers' rates in future periods. If we are unable to continue to attract and retain a sufficient number of independent contractor drivers, we could be required to increase our mileage rates and accessorial pay or operate with fewer trucks and face difficulty meeting shipper demands, all of which would adversely affect our profitability and scale, or our ability to pursue our growth strategy.

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, including work disruptions involving owner-operators under contract with our local trucking operations. 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. In particular, our Logistics segment derives a substantial portion of its revenue from the operation and management of facilities that are often located in close proximity to a customer's manufacturing plant and are integrated into the customer's production line process. If any of our customers are affected by labor disputes and consequently cease or significantly modify their operations at a plant served by our Logistics segment, we may experience significant revenue loss and shutdown costs, including costs related to early termination of leases, causing our business to suffer.

XPO Logistics Europe's business activities require a large amount of labor, which represents one of its 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 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 of our LTL and logistics locations, and the International Association of Machinists ("Machinists") has attempted to organize a small number of mechanics at three LTL maintenance shops. In 2018, the United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") attempted to organize warehouse workers at one logistics location. The majority of our employees involved in these organizing efforts rejected union representation. As of January 1, 2020, our employees had voted in favor of union representation in 10 of the 25 union elections held since 2014, with approximately 545 employees voting in favor and 602 employees voting against representation. In October 2017, a majority of employees at our North Haven, Connecticut logistics location, which had previously voted for Teamsters representation, petitioned us to withdraw recognition of the Teamsters as the employees' representative and we withdrew this recognition. Similarly, in 2019, a majority of employees at our LTL locations in Laredo, Texas and Aurora, Illinois, voted to decertify the Teamsters as the employees' representative. In addition, we continue to challenge the results of one election held in 2014 for an LTL location in Los Angeles, California pursuant to a petition that had been filed by the Teamsters, while seven locations where employees had voted in favor of union representation are in negotiations for an initial collective bargaining agreement. Since 2014, the Teamsters have withdrawn six petitions seeking elections on behalf of approximately 230 LTL employees prior to the election being held, and the Machinists withdrew one petition for an LTL election on behalf of six individuals. We cannot predict with certainty whether further organizing efforts may result in the unionization of any additional locations in the U.S. If successful, these efforts may result in increased costs and

decreased efficiencies at the specific locations where representation is elected. We do not expect the impact, if any, to extend to our larger organization or the services provided to our customer base.

Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged.

We are involved in numerous lawsuits, including putative class action lawsuits, multi-plaintiff and individual lawsuits, and state tax and other administrative proceedings that claim that our contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. In addition, we incur certain costs, including legal fees, in defending the status of these parties as independent contractors.

While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse decisions have been rendered recently in certain cases pending against us, including with respect to determinations that certain of our contract carriers and owner-operators are improperly classified. Such adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could involve thousands of claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.

The results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

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 agents, different liability standards, issues related to compliance with anti-corruption laws, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, data protection, trade compliance, 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.

Our European business heavily relies on subcontracting and we use a large number of temporary employees in these operations. Any failure to properly manage our subcontractors or temporary employees in Europe could have a material adverse impact on our revenues, earnings, financial position and outlook.

Subcontracting plays a key role in our European business, which we operate through our majority-owned subsidiary, XPO Logistics Europe SA. As of December 31, 2019, we subcontracted approximately 53% of our Transportation segment operations in the region. 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. Such failures could compromise our ability to fulfill our commitments to our customers, comply with applicable regulations or otherwise meet our customers' expectations. In some situations, the poor execution of services by our subcontractors could result in a customer terminating a contract. Such failures by our subcontractors could harm our reputation and ability to win new business and could lead to our being liable for contractual

damages. Furthermore, in the event of a failure by our subcontractors 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. Lastly, some of our subcontractors in Europe may not be insured or may not have sufficient resources available to handle any claims from customers resulting from potential damage and losses relating to their performance of services on our behalf. As a result, any non-compliance by our subcontractors with their contractual or legal obligations may have a material adverse effect on our business and financial condition.

XPO Logistics Europe also makes significant use of temporary staff. 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. If such risks materialize, they could have a material adverse effect on our business and financial condition.

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. In addition to the matters described in the risk factor “Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged,” we are subject to claims and litigation related to labor and employment, personal injury, vehicular accidents, cargo and other property damage, business practices, environmental liability 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 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 contracted carriers 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.

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 large-deductible purchased insurance to provide for the costs of employee medical, vehicular collision and accident, cargo 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. 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 currently subject to securities class action litigation and may be subject to similar litigation in the future. Such matters can be expensive, time-consuming and have a material adverse effect on our business, results of operations and financial condition.

We are currently subject to securities class action litigation alleging violations of securities laws, which could harm our business and require us to incur significant costs. In December 2018, two purported class action lawsuits were filed against us and certain of our officers; these lawsuits alleged that we made false and misleading statements, purported to assert claims for violations of federal securities laws and sought unspecified compensatory damages and other relief. One class action lawsuit has since been voluntarily dismissed. While we believe that we have a number of valid defenses to the claims described above and intend to vigorously defend ourselves in the remaining class action lawsuit, the matter is in the early stages of litigation and no assessment can be made as to the likely outcome of the matter or whether it will be material to us. Also, we may be subject to additional proceedings of this type in the future, which could require significant attention from management or result in significant legal expenses, settlement costs or damage awards, any of which could have a material impact on our financial position, results of operations and 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. and the U.K. A decline in interest rates 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.

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”), the senior secured term loan credit agreement, as amended (the “Term Loan Facility”), provide for an interest rate based on London Interbank Offered Rate (“LIBOR”) 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 100 basis point 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. 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.

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.”

The economic uncertainties relating to eurozone monetary policies may cause the value of the euro to fluctuate against other currencies. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or in Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in currency exchange rates could adversely affect our business and financial condition in Europe and the business of the combined company.

The decision of the United Kingdom to withdraw 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 and entered into a transition period to, among other things, negotiate an agreement with the EU governing the future relationship between the EU and the U.K. The referendum and subsequent withdrawal of the U.K. from the EU has created significant uncertainty about the future relationship between the U.K. and the EU and will have uncertain impacts on our transportation and logistics operations in Europe. In 2019, we derived approximately 12% of our revenue from the U.K. and an aggregate 26% from the rest of the European countries where we operate. In addition, the implementation of Brexit has caused, and may continue to cause, uncertainty in the global markets.

The effects of Brexit on our transportation and logistics operations in Europe will depend on any agreements the U.K. ultimately reaches to retain access to EU markets either during the transitional period or more permanently. The laws and regulations that will apply to the U.K. domestic economy will depend, in large part, on the content of any agreements the U.K. is able to negotiate with the EU and current laws and regulations may either be replaced or replicated after withdrawal, including those governing manufacturing, labor, environmental, data protection/privacy, competition and other matters either applicable to the transportation and logistics industry directly or with potential impact on the demand for our services in the U.K. or in Europe more generally.

If the U.K. cannot reach an agreement with the EU, it will likely have an adverse impact on access to labor in the U.K. and trade between the U.K. and EU and may create further short-term currency volatility. In the absence of a future trade deal, the U.K.'s trade with the EU and the rest of the world would be subject to tariffs and duties set by the World Trade Organization, which could result in uncertain demand for our services in the U.K. and its trading partners. In addition, the movement of goods between the U.K. and the remaining member states of the EU will be subject to additional inspections and documentation checks, leading to possible delays at ports of entry and departure, which may have unexpected impacts on our ability to efficiently provide our transportation and logistics 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 US 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, negatively impact the value of our defined benefit pension plans in the U.K., or otherwise have a negative impact on our operations, financial condition and results of operations.

Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

We may fund any future acquisitions or our capital requirements from time to time, in whole or part, through sales or issuances of our common stock or equity-based securities, subject to prevailing market conditions and our financing needs. Future equity financing will dilute the interests of our then-existing stockholders, and future sales or issuances of a substantial number of shares of our common stock or other equity-related securities may adversely affect the market price of our common stock.

We do not own, and may not acquire, all of the outstanding shares of XPO Logistics Europe SA, the majority-owned subsidiary through which we conduct our European operations.

As of December 31, 2019, we owned 95.4% of the outstanding shares of XPO Logistics Europe SA, the majority-owned subsidiary through which we conduct our European operations. We may or may not acquire the remaining shares of XPO Logistics Europe, or we may choose to enact a "squeeze out" merger, which is permitted under

French law when a holder owns more than 95% of outstanding shares. As long as we do not wholly own XPO Logistics Europe, we do not have access to all of its cash flow to service our debt, as we will receive a prorated portion of any dividend based on our ownership percentage. In addition, we will be subject to limitations on our ability to enter into transactions with XPO Logistics Europe that are not on arms-length terms, which could limit synergies that we could otherwise achieve between our North American and European operations. Moreover, XPO Logistics Europe would be forced to continue as a listed public company in France, thereby incurring certain recurring costs.

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 the independent contractor drivers and third-party transportation providers who transport freight arranged by our other operations. 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, as there is a lag between payment for fuel and collection of the surcharge revenue. 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.

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. Certain seasonal weather conditions and isolated weather events can disrupt our operations. 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.

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 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 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.

We are subject to regulation, which could 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 independent contractors 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, property broker, indirect air carrier, OTI, NVOCC, freight forwarder, air freight forwarder, and ocean freight forwarder. In addition, we are subject to regulations and requirements promulgated by the DOT, FMCSA, DHS, CBP, TSA, FMC, IATA, 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 for more information.

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 or on the aggregate number of trucks that provide hauling capacity to XPO. If higher costs are incurred by us as a result of future changes in regulations, or by the independent contractors or 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.

Changes in income tax regulations for U.S. and multinational companies may increase our tax liability.

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. These and other tax laws and related regulations changes, to the extent adopted, may increase tax uncertainty, result in higher compliance cost and adversely affect our provision for income taxes, results of operations and/or cash flow.

Failure to comply with trade compliance laws and regulations applicable to our operations may subject us to liability and result in mandatory or voluntary disclosures to government agencies of transactions or dealings involving sanctioned countries, entities or individuals.

As a result of our acquisition activities, we acquired companies with business operations outside 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 (“OFAC”) of the U.S. Department of the Treasury. In the course of implementing our compliance processes with respect to the operations of these acquired companies, we have identified a number of transactions or dealings involving countries and entities that are subject to U.S. economic sanctions. 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 dealings involving sanctioned countries, entities or individuals. The transactions or 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.

Our chairman and chief executive officer controls a large portion of our stock and has substantial control over us, which could limit other stockholders' ability to influence the outcome of key transactions, including changes of control.

Under applicable SEC rules, our chairman and chief executive officer, Mr. Bradley S. Jacobs, beneficially owns approximately 18% of our outstanding common stock as of December 31, 2019. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Our preferred stock votes together with our common stock on an “as-converted” basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of the preferred stock. Accordingly, Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders, including shares beneficially owned by Mr. Jacobs, could impact the volume of trading, liquidity and market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2019, we operated approximately 1,504 locations, primarily in North America and Europe, including approximately 321 locations owned or leased by our customers. These facilities are located in all 48 contiguous U.S. states, as well as globally.

Segment (Location)	Leased Facilities	Owned Facilities	Customer Facilities ⁽³⁾	Total
Transportation (North America) ⁽¹⁾	386	130	9	525
Transportation (Europe)	173	22	—	195
Transportation (Other) ⁽²⁾	8	—	—	8
Logistics (North America)	190	1	128	319
Logistics (Europe)	205	7	169	381
Logistics (Other) ⁽²⁾	49	—	15	64
Corporate	12	—	—	12
Total	1,023	160	321	1,504

(1) Of our owned facilities, 126 were freight service centers for our LTL business throughout the U.S.

(2) Locations not in North America or Europe; primarily in Asia.

(3) Locations owned or leased by customers.

We lease our current executive office located in Greenwich, Connecticut, as well as our national operations center in Charlotte, North Carolina, our shared-services center in Portland, Oregon and various office facilities in France, the U.K. and India to support our global executive and shared-services functions. We believe that our facilities are sufficient for our current needs.

ITEM 3. LEGAL PROCEEDINGS

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business. These proceedings may include claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including

claims involving asserted breaches of employee restrictive covenants and tortious interference with contracts. These matters also include numerous purported class action, multi-plaintiff and individual lawsuits, and administrative proceedings that claim either that our owner-operators or contract carriers should be treated as employees, rather than independent contractors, or that some of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. Additionally, we are subject to shareholder litigation regarding our public filings with the SEC. For additional information about these matters, please see Note 18—Commitments and Contingencies to our Consolidated Financial Statements.

We do not believe that the ultimate resolution of any matters to which we are presently party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

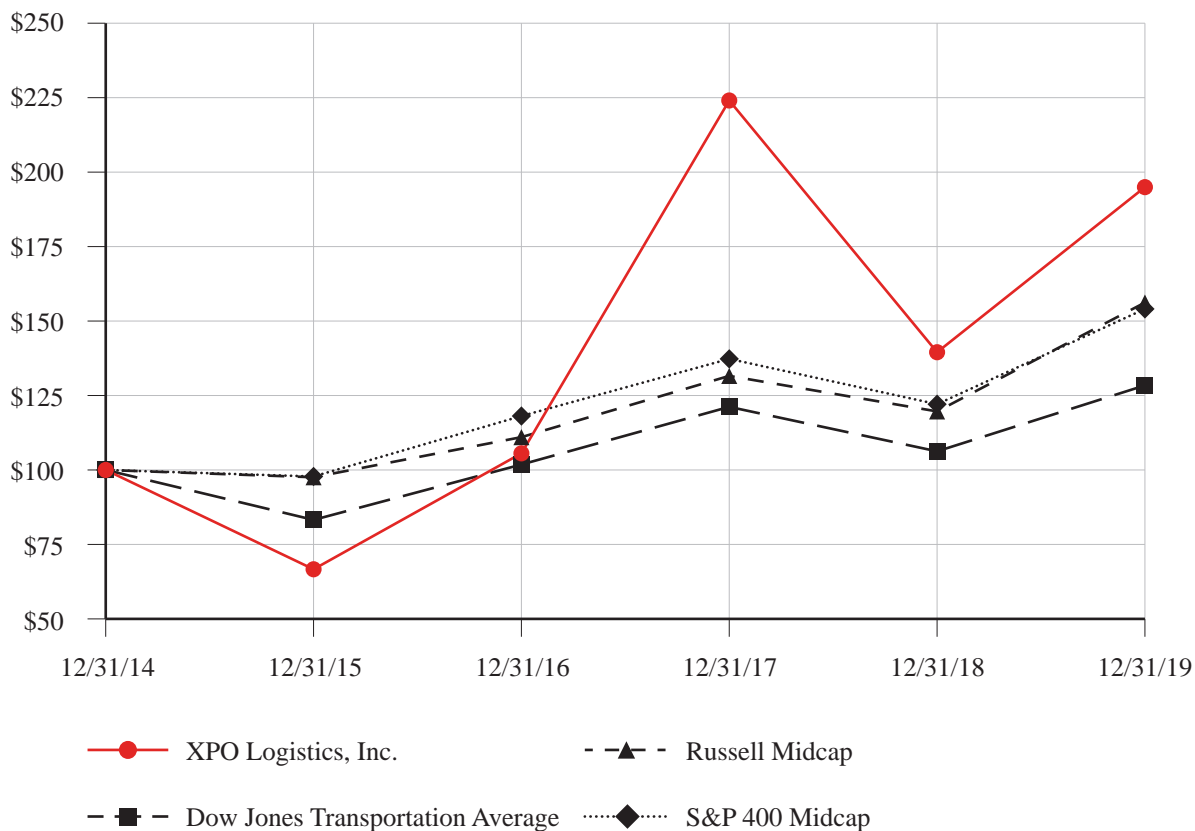
Common Stock

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol XPO.

As of February 5, 2020, there were approximately 135 record holders of our common stock. We have never paid, and have no immediate plans to pay, cash dividends on our common stock.

Stock Performance Graph

The graph below compares the cumulative five-year total return of holders of our common stock with the cumulative total returns, including reinvestment of any dividends, of the Russell MidCap index, the Dow Jones Transportation Average index and the S&P 400 MidCap index. SEC rules require that if an index is selected that is different from the index used in the immediately preceding fiscal year, the total return must be compared with both the newly selected index and the index used in the immediately preceding year. The graph in our 2018 Annual Report on Form 10-K included a comparison of our common stock with the Dow Jones Transportation Average index and the Russell MidCap index. However, we believe that the S&P 400 Midcap index, which includes XPO, is more appropriate than the Russell Midcap index, because the S&P 400 Midcap generally encompasses companies with market capitalizations that are more comparable to XPO. Consequently, we have included both the Russell MidCap and the S&P 400 Midcap indices in the graph. The graph tracks the performance of a \$100 investment in our common stock and in each index from December 31, 2014 to December 31, 2019.



	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
XPO Logistics, Inc.	\$ 100.00	\$ 66.66	\$ 105.58	\$ 224.05	\$ 139.53	\$ 194.96
Russell Midcap	\$ 100.00	\$ 97.56	\$ 111.02	\$ 131.58	\$ 119.66	\$ 156.21
Dow Jones Transportation Average	\$ 100.00	\$ 83.24	\$ 101.83	\$ 121.19	\$ 106.26	\$ 128.39
S&P 400 Midcap	\$ 100.00	\$ 97.82	\$ 118.11	\$ 137.30	\$ 122.08	\$ 154.07

Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth our selected historical and quarterly consolidated financial data. During 2015, we acquired Con-way Inc. and Norbert Dentressangle, and have included the results of operations of the acquired businesses from the date of acquisition. Additionally, we divested our North American Truckload operation in the fourth quarter of 2016. As a result, our period to period results of operations vary depending on the dates and sizes of these acquisitions and divestitures. Accordingly, this selected financial data is not necessarily comparable or indicative of our future results. This financial data should be read together with our Consolidated Financial Statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data appearing elsewhere in this Annual Report.

<i>(In millions, except per share data)</i>	As of or For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Operating Results:					
Revenue	\$ 16,648	\$ 17,279	\$ 15,381	\$ 14,619	\$ 7,623
Operating income (loss) ⁽¹⁾	821	704	582	464	(29)
Income (loss) before income taxes	569	566	261	107	(283)
Net income (loss) ⁽²⁾	440	444	360	85	(192)
Net income (loss) attributable to common shareholders ⁽³⁾	379	390	312	63	(246)
Per Share Data:					
Basic earnings (loss) per share	\$ 3.95	\$ 3.17	\$ 2.72	\$ 0.57	\$ (2.65)
Diluted earnings (loss) per share	3.57	2.88	2.45	0.53	(2.65)
Financial Position:					
Total assets ⁽⁴⁾	\$ 14,128	\$ 12,270	\$ 12,602	\$ 11,698	\$ 12,643
Long-term debt, less current portion	5,182	3,902	4,418	4,732	5,273
Preferred stock	41	41	41	42	42
Total equity	2,896	3,970	4,010	3,038	3,061

- (1) Operating income for 2017 and 2016 reflects the retrospective effects from the January 1, 2018 adoption of Accounting Standard Update ("ASU") 2017-07, Compensation - Retirement Benefits (Topic 715): "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost."
- (2) Our net income for 2017 included a \$173 million benefit related to the revaluation of our net deferred tax liabilities as a result of the Tax Cuts and Jobs Act (the "Tax Act").
- (3) Net loss attributable to common shareholders for the year ended December 31, 2015 reflects beneficial conversion charges of \$52 million on Series C Preferred Stock that were recorded as deemed distributions during the third quarter of 2015.
- (4) Total assets for 2019 reflects the January 1, 2019 adoption of ASU 2016-02, Leases (Topic 842).

Our unaudited results of operations for each of the quarters in the years ended December 31, 2019 and 2018 are summarized below:

<i>(In millions, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter ^{(2), (3)}
2019				
Revenue	\$ 4,120	\$ 4,238	\$ 4,154	\$ 4,136
Operating income	132	258	229	202
Net income	52	145	136	107
Net income attributable to common shareholders ⁽¹⁾	43	122	117	96
Basic earnings per share ⁽¹⁾	0.40	1.32	1.27	1.04
Diluted earnings per share ⁽¹⁾	0.37	1.19	1.14	0.93
2018				
Revenue	\$ 4,192	\$ 4,363	\$ 4,335	\$ 4,389
Operating income	141	228	209	126
Net income	79	159	115	91
Net income attributable to common shareholders ⁽¹⁾	67	138	101	84
Basic earnings per share ⁽¹⁾	0.56	1.14	0.81	0.67
Diluted earnings per share ⁽¹⁾	0.50	1.03	0.74	0.62

- (1) The sum of the quarterly Net income attributable to common shareholders and earnings per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods and the impact of the two-class method of calculating earnings per share.
- (2) The fourth quarter of 2019 included a restructuring charge of \$21 million and gains on sales of property and equipment of \$37 million.
- (3) The fourth quarter of 2018 included a litigation charge of \$26 million, a gain on the sale of an equity investment of \$24 million and a restructuring charge of \$19 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

XPO Logistics is a top ten global provider of cutting-edge supply chain solutions to the most successful companies in the world. We are organized as two reportable segments: Transportation and Logistics. Our Transportation segment facilitates the movement of raw materials, parts and finished goods. We accomplish this by using our proprietary technology, third-party independent carriers and our transportation assets and service centers. Our transportation services include truck brokerage, expedite, intermodal, drayage, last mile, less-than-truckload ("LTL"), full truckload, global forwarding and managed transportation.

In our Logistics segment, which we also refer to as supply chain or contract logistics, we provide a wide range of services differentiated by our proprietary technology and our ability to customize solutions for customers. Our services include value-added warehousing, distribution and inventory management, omnichannel and e-commerce fulfillment, reverse logistics, cold chain solutions, packaging and labeling, factory support, aftermarket support and order personalization services. In addition, our Logistics segment provides highly engineered, customized solutions and supply chain optimization services, including advanced automation and predictive volume flow management.

This discussion focuses on our fiscal 2019 results, compared with fiscal 2018 results. The discussion of our fiscal 2018 results, compared with fiscal 2017 results, can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our 2018 Annual Report on Form 10-K.

Potential Strategic Alternatives

In January 2020, we announced that XPO has commenced a review of strategic alternatives, including the possible sale or spin-off of one or more of our business units, in order to maximize shareholder value. A timetable has not been set for the completion of the review process and we have not determined which, if any, business units would be sold or spun off. However, we do not intend to sell or spin off our North American less-than-truckload unit.

Consolidated Summary Financial Table

<i>(Dollars in millions)</i>	For the Years Ended December 31,		Percent of Revenue	
	2019	2018	2019	2018
Revenue	\$ 16,648	\$ 17,279	100.0 %	100.0 %
Cost of transportation and services	8,303	9,013	49.9 %	52.2 %
Direct operating expense	5,679	5,725	34.1 %	33.1 %
SG&A expense	1,845	1,837	11.1 %	10.6 %
Operating income	821	704	4.9 %	4.1 %
Other expense (income)	(54)	(109)	(0.3)%	(0.6)%
Foreign currency loss	9	3	0.1 %	— %
Debt extinguishment loss	5	27	— %	0.2 %
Interest expense	292	217	1.8 %	1.3 %
Income before income tax provision	569	566	3.4 %	3.3 %
Income tax provision	129	122	0.8 %	0.7 %
Net income	\$ 440	\$ 444	2.6 %	2.6 %

Our consolidated revenue for 2019 decreased by (3.7)% to \$16.6 billion, from \$17.3 billion in 2018. The decrease was primarily impacted by a reduction in business from our largest customer, resulting in approximately \$570 million less revenue in 2019, primarily in the Transportation segment. Foreign currency movement reduced revenue by approximately 2.0 percentage points in 2019.

Cost of transportation and services includes the cost of providing or procuring freight transportation for XPO customers and salaries paid to employee drivers in our truckload and LTL businesses.

Cost of transportation and services in 2019 was \$8,303 million, or 49.9% of revenue, compared with \$9,013 million, or 52.2% of revenue in 2018. The year-over-year improvement as a percentage of revenue was primarily driven by: (i) higher mix of contract logistics revenue; (ii) lower third-party transportation costs in freight brokerage and last mile largely due to reduction in business from our largest customer; and (iii) lower fuel costs.

Direct operating expenses are both fixed and variable expenses and consist of operating costs related to our contract logistics facilities, last mile warehousing facilities, LTL service centers and European LTL network. Direct operating costs consist mainly of personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, costs of materials and supplies, information technology expenses, depreciation expense, and gains and losses on sales of property and equipment.

Direct operating expense in 2019 was \$5,679 million, or 34.1% of revenue, compared with \$5,725 million, or 33.1% of revenue, in 2018. The year-over-year increase as a percentage of revenue primarily was driven by higher personnel costs to support growth in our North American contract logistics, partially offset by lower temporary labor, and higher depreciation expense in our logistics segment. Additionally, 2019 and 2018 included \$110 million and \$6 million, respectively, from gains on the sale of property and equipment.

Sales, general and administrative expense (“SG&A”) primarily consists of salary and benefit costs for executive and certain administration functions, depreciation and amortization expense, professional fees, facility costs, bad debt expense and legal costs.

SG&A was \$1,845 million in 2019, or 11.1% of revenue, compared with \$1,837 million, or 10.6% of revenue, in 2018. The year-over-year increase in SG&A as a percentage of revenue was primarily related to higher payroll expense, including higher restructuring-related expenses, and higher insurance and depreciation expenses, partially offset by lower aggregate bonus and share-based compensation expenses, and lower discretionary spending, including professional and consulting fees. Additionally, 2018 reflected litigation costs of \$26 million for independent contractor matters.

Other income for 2019 was \$54 million of income, compared with \$109 million of income in 2018. The year-over-year decrease reflects lower net periodic pension income of \$18 million in 2019. Additionally, 2018 included a gain of \$24 million related to the sale of an equity investment in a private company and a gain of \$9 million related to a terminated swap.

Foreign currency loss was \$9 million in 2019, compared with \$3 million in 2018. Foreign currency loss in 2019 primarily reflected unrealized losses on foreign currency option and forward contracts. Foreign currency loss in 2018 primarily reflects realized losses on foreign currency option and forward contracts, as well as foreign currency transaction and remeasurement losses, almost entirely offset by unrealized gains on foreign currency option and forward contracts. For additional information on our foreign currency option and forward contracts, see Note 11—Derivative Instruments to our Consolidated Financial Statements.

Debt extinguishment losses were \$5 million and \$27 million in 2019 and 2018, respectively. Debt extinguishment losses in 2019 related to the write-off of debt issuance costs for the unsecured credit facility (“Unsecured Credit Facility”) that was repaid in 2019. Debt extinguishment losses in 2018 includes \$17 million for the partial redemption of our 6.50% senior notes due 2022 (“Senior Notes due 2022”) and \$10 million for the refinancing of our senior secured term loan credit agreement, as amended (the “Term Loan Facility”). See Liquidity and Capital Resources below for further information.

Interest expense for 2019 increased 34.6% to \$292 million, from \$217 million in 2018. The increase in interest expense was primarily related to higher average total indebtedness to fund share purchases.

Our consolidated income before income taxes in 2019 was \$569 million, compared with \$566 million in 2018. The increase primarily was driven by higher operating income in our Transportation and Logistics segments, as discussed below, and lower debt extinguishment losses and lower litigation costs, partially offset by higher interest expense, lower pension income and the gain on sale of an equity investment in 2018. With respect to our U.S. operations, income before taxes increased by \$60 million in 2019, compared with the prior year, primarily reflecting a \$96 million increase in operating income, primarily due to gains on sale of property and equipment and cost savings initiatives, higher interest income on intercompany loans, \$23 million in lower foreign currency losses, and \$22 million lower debt extinguishment losses, partially offset by \$74 million higher interest expense and a gain of

\$24 million from the sale of an equity investment in 2018. With respect to our non-U.S. operations, income before taxes decreased by \$57 million, reflecting higher other expense of \$41 million, due in part to interest on intercompany loans, lower foreign currency gain of \$29 million, and lower pension income of \$10 million, partially offset by higher operating income of \$21 million. The foreign currency gain realized by our non-U.S. operations in 2019 was partially offset by the foreign currency loss in our U.S. operations due to hedging strategies, and to naturally offsetting positions of intercompany loans between the entities.

Our effective income tax rates in 2019 and 2018 were 22.6% and 21.6%, respectively. Our 2019 effective tax rate was primarily impacted by \$8 million of tax benefit from foreign currency losses recognized and \$5 million of tax benefit from changes in reserves for uncertain tax positions, including favorable resolution of certain income tax audits. Our 2018 effective tax rate was primarily impacted by \$26 million of excess tax benefit from stock-based compensation and a \$4 million benefit associated with the deduction of foreign taxes paid in prior years.

Restructuring Charges

We engage in restructuring actions as part of our ongoing efforts to best utilize our resources and infrastructure. Our results for 2019 reflect restructuring charges of \$49 million, of which \$2 million was recorded in Cost of transportation and services, \$1 million in Direct operating expense and \$46 million in SG&A in our Consolidated Statements of Income. A portion of our 2019 restructuring charge related to actions as a result of our largest customer downsizing its business with us. Our results for 2018 reflect restructuring charges of \$21 million, of which \$1 million was recorded in Direct operating expense and \$20 million in SG&A in our Consolidated Statements of Income. For more information, see Note 6—Restructuring Charges to our Consolidated Financial Statements. Upon successful completion of these restructuring initiatives in 2020, we expect to achieve annualized pre-tax savings of approximately \$94 million.

Fourth Quarter Items

Key fourth quarter items include:

<i>(In millions)</i>	For the Quarters Ended December 31,	
	2019	2018
Restructuring charges	\$ 21	\$ 19
Gains on sales of property and equipment	(37)	(6)
Litigation costs for independent contractor matters	—	26
Gain on sale of equity investment	—	(24)

Additionally, the aggregate bonus and share-based compensation expenses were modestly higher in the fourth quarter of 2019 compared to the fourth quarter of 2018. The majority of the restructuring charges and all of the share-based compensation expense and litigation costs have been reflected in SG&A on our Consolidated Statements of Income. Gains on sales of property and equipment are reflected in Direct operating expense. Bonus expense is substantially included in Direct operating expense and SG&A. Gain on sale of equity investment is included in Other expense (income).

Transportation Segment

Summary Financial Table

<i>(In millions)</i>	For the Years Ended December 31,		Percent of Transportation Revenue	
	2019	2018	2019	2018
Revenue	\$ 10,687	\$ 11,343	100.0%	100.0%
Operating income	752	646	7.0%	5.7%
Total depreciation and amortization	447	461	N/A	N/A

Revenue in our Transportation segment decreased 5.8% to \$10.7 billion in 2019, compared with \$11.3 billion in 2018. Revenue was primarily impacted by a reduction in business from our largest customer of approximately \$510 million. This revenue loss was largely related to our freight brokerage and direct postal injection businesses, the latter of which ceased operations in the first quarter of 2019. Additionally, revenue in 2019 reflected lower truckload rates in freight brokerage, partially offset by growth in our managed transportation business. Foreign currency movement reduced revenue by approximately 1.5 percentage points in 2019.

Operating income in our Transportation segment increased to \$752 million, or 7.0% of revenue, in 2019, compared with \$646 million, or 5.7% of revenue, in 2018. The improvement primarily reflected higher gains on sales of property and equipment of \$97 million and higher net revenue, partially offset by higher personnel costs in SG&A. Of the gains on sales of property and equipment, \$87 million was in our LTL business, with a portion of the gain related to the sale and partial leaseback of our shared service facility in Portland, Oregon. Additionally, 2018 reflected litigation costs of \$26 million for independent contractor matters. Depreciation and amortization expense in 2019 included \$6 million related to the impairment of customer relationship intangibles associated with exiting the direct postal injection business. Net revenue is defined as Revenue less Cost of transportation and services.

Logistics Segment

Summary Financial Table

<i>(In millions)</i>	For the Years Ended December 31,		Percent of Logistics Revenue	
	2019	2018	2019	2018
Revenue	\$ 6,093	\$ 6,065	100.0%	100.0%
Operating income	241	216	3.9%	3.5%
Total depreciation and amortization	277	244	N/A	N/A

Revenue in our Logistics segment increased by 0.5% to \$6.09 billion in 2019, compared with \$6.07 billion in 2018. The increase in revenue compared to 2018 was primarily driven by growth of our North American contract logistics business, partially offset by a reduction in business from our largest customer and a decline in contract logistics revenue in Europe, primarily due to foreign currency movement. The impact to our North American contract logistics' revenue from the reduction in business by our largest customer was approximately \$60 million less revenue in 2019. The growth of our North American contract logistics business was led by our food and beverage, consumer packaged goods and aerospace sectors, and by e-commerce in Europe. Foreign currency movement reduced revenue growth by approximately 3.0 percentage points in 2019. Logistics segment revenue for 2019 was negatively impacted by approximately 4 percentage points from the combined impact of foreign exchange movement and the reduction in business from our largest customer.

Operating income in our Logistics segment increased in 2019 to \$241 million, or 3.9% of revenue, compared with \$216 million, or 3.5% of revenue, in 2018. The increase was primarily driven by higher revenue and lower costs of transportation and services and temporary labor costs, partially offset by new contract startups that required more personnel costs. The lower costs of transportation and services and temporary labor costs reflect a reduction in business from our largest customer. Depreciation and amortization expense increased year-over-year due to the impact of prior capital investments and new contract startups.

Liquidity and Capital Resources

Our principal existing sources of cash are: (i) cash generated from operations, (ii) borrowings available under our Second Amended and Restated Revolving Loan Credit Agreement, as amended (the “ABL Facility”) and (iii) proceeds from the issuance of other debt. As of December 31, 2019, we have \$713 million available to draw under the ABL Facility, based on a borrowing base of \$927 million, as well as outstanding letters of credit of \$214 million.

<i>(In millions)</i>	December 31,	
	2019	2018
Cash and cash equivalents	\$ 377	\$ 502
Working capital	84	375

The decrease in working capital of \$291 million during 2019 was primarily due to recognition of short-term operating leases under the lease accounting standard adopted in 2019 and lower cash and cash equivalents, partially offset by the repayment of our unsecured credit facility in 2019.

We continually evaluate our liquidity requirements in light of our operating needs, growth initiatives and capital resources. We believe that our existing liquidity and sources of capital are sufficient to support our operations over the next 12 months.

Trade Receivables Securitization and Factoring Programs

We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

In July 2019, XPO Logistics Europe SA (“XPO Logistics Europe”), one of our majority-owned subsidiaries, entered into a new, three-year trade receivables securitization program co-arranged by Crédit Agricole, BNP Paribas and HSBC (the “Purchasers”) and terminated its prior program. Under the new program, a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe in the United Kingdom and France. The special purpose entity is a variable interest entity and is consolidated by XPO Logistics Europe based on its control of the entity’s activities. Our subsidiary sells these trade receivables to unaffiliated entities managed by the Purchasers. Under the terminated prior program, the receivables were originally funded by senior variable funding notes in the same currency as the corresponding receivables. The receivables balance under the terminated program were originally reported as Accounts receivable on our Consolidated Balance Sheets and the related notes were included in our Long-term debt. See Note 12—Debt to our Consolidated Financial Statements for additional information related to our receivables securitization secured borrowing program. In connection with the termination of the prior program, XPO Logistics Europe paid off all of the notes which had been included in our debt balances. The new three year program has lower financing costs and provides us with better liquidity through a higher advance rate.

We account for transfers under our factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. We account for transfers under our securitization programs as either sales or secured borrowings based on an evaluation of whether control has transferred. In instances where we do not meet the criteria for surrender of control, the transaction was accounted for as a secured borrowing. For these transactions, the receivables remained on our Consolidated Balance Sheets and the notes were reflected within debt. For transfers in the securitization programs where we have surrendered control of the receivables, the transactions are accounted for as sales and the receivables are derecognized from our Consolidated Balance Sheets at the date of transfer. In the securitization and factoring arrangements, any of our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial.

Under the terminated securitization program, if transfers were accounted for as sales, the consideration received included a simultaneous cash payment and a deferred purchase price receivable. The deferred purchase price receivable was not a trade receivable and was recorded based on its fair value and reported within Other current assets on our Consolidated Balance Sheets. The cash payment which we received on the date of the transfer was reflected within Net cash provided by operating activities. As we received cash payments on the deferred purchase price receivable, it was reflected as an investing activity. As of December 31, 2018, the balance of deferred purchase

price receivable reflected within Other current assets was \$52 million. The new program does not include a deferred purchase price mechanism and all transfers of eligible receivables under the new program are accounted for as sales.

The maximum amount of net cash proceeds available at any one time under the new program is €400 million (approximately \$448 million as of December 31, 2019). As of December 31, 2019, €65 million (approximately \$73 million) was available to us based on the level of receivables sold and outstanding as of that date.

Under the new program, sales of receivables transfer control to the Purchaser and therefore are accounted for as a reduction in accounts receivable. We service the receivables we sell on behalf of the Purchasers, which gives us visibility into the timing of customer payments. The benefit to our cash flow includes the difference between the cash consideration in the table below and the amount we collected as a servicer on behalf of the Purchasers. In 2019 and 2018, we collected cash as servicer of \$2.168 billion and \$119 million, respectively.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Securitization programs ⁽¹⁾			
Receivables sold in period	\$ 2,231	\$ 231	\$ —
Cash consideration	2,095	179	—
Deferred purchase price	135	52	—
Factoring programs			
Receivables sold in period	858	663	119
Cash consideration	854	660	119

- (1) Receivable transfers under the securitization programs are accounted for as either sales or secured borrowings. In the prior program, a portion of the transfers were accounted for as secured borrowings while under the new program, all transfers are accounted for as sales. This change had the effect of increasing the amount of trade receivables we reported as sold in 2019.

In addition to the cash considerations referenced above, we received \$186 million in the year ended December 31, 2019, for the realization of cash on the deferred purchase price receivable for our prior securitization program.

ABL Facility

In 2015, we entered into the ABL Facility that provided commitments of up to \$1.0 billion with a maturity date of October 30, 2020. In April 2019, we amended the ABL Facility including: (i) increasing the commitments to \$1.1 billion, (ii) extending the maturity date to April 30, 2024, subject to springing maturity if some of our senior notes reach specified levels set in the credit agreement and (iii) reducing the interest rate margin. We can issue up to \$350 million of letters of credit and up to \$50 million for swing line loans under the ABL Facility.

Term Loan Facility

In 2015, we entered into our Senior Secured Term Loan Credit Agreement (the “Term Loan Credit Agreement”) that provided for a single borrowing of \$1.6 billion. The Term Loan Credit Agreement has been amended since its inception, including the execution of a new tranche of loans in 2019, reduction of interest rates and extension of maturity dates. Proceeds from the new tranche of loans were used for general corporate purposes, including funding purchases of our common stock as described in Note 14—Stockholders’ Equity. In 2018, we refinanced our term loans with substantially similar terms as the prior term loans, except with respect to the interest rate and maturity date, prepayment premiums and some other amendments to the restrictive covenants. Proceeds from the refinancing were used primarily to repay the prior term loans and to pay interest, fees and expenses in connection with this refinancing. We recorded a debt extinguishment loss of \$10 million in 2018 due to this refinancing.

Senior Notes

In February 2019, we completed our private placement of \$1.0 billion aggregate principal amount of senior notes (“Senior Notes due 2024”). We used the proceeds from the Senior Notes due 2024 to repay our outstanding

obligation under the Unsecured Credit Facility described below and to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity to our Consolidated Financial Statements.

In July 2018, we redeemed \$400 million of the then \$1.6 billion outstanding Senior Notes due 2022 that were originally issued in 2015. The redemption price for the Senior Notes due 2022 was 103.25% of the principal amount, plus accrued and unpaid interest. We paid for the redemption primarily with funds from the settlement of our forward sale agreements, described below. We recorded a debt extinguishment loss of \$17 million in 2018 due to this redemption.

Unsecured Credit Facility

In December 2018, we entered into a \$500 million Unsecured Credit Facility. As of December 31, 2018, we had borrowed \$250 million. We borrowed an additional \$250 million in January 2019. We used the proceeds of both borrowings to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity to our Consolidated Financial Statements. In connection with the issuance of the Senior Notes due 2024 described above, we repaid our outstanding obligations under the Unsecured Credit Facility and terminated it in February 2019. We recorded a debt extinguishment loss of \$5 million in 2019 in connection with this repayment.

Share Repurchases

In December 2018, our Board of Directors authorized the repurchase of up to \$1 billion of our common stock (the “2018 Program”), which was completed in the first quarter of 2019. The share repurchases were funded by our Unsecured Credit Facility and our available cash.

In February 2019, our Board of Directors authorized additional repurchases of up to \$1.5 billion of our common stock (the “2019 Program”). The 2019 authorization permits us to purchase shares in both the open market and in private transactions, with the timing and number of shares dependent on a variety of factors, including price, general business conditions, market conditions, alternative investment opportunities and funding considerations. We are not obligated to repurchase any specific number of shares and may suspend or discontinue the program at any time. The share purchases under the 2019 Program were funded by our available cash and proceeds from our new debt offerings.

Information regarding our shares repurchased, based on settlement date, were as follows:

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2019		2018
	2019 Program	2018 Program	2018 Program
Shares purchased and retired	17	8	10
Aggregate value	\$ 883	\$ 464	\$ 536
Average price per share	\$ 50.70	\$ 59.47	\$ 53.46
Remaining authorization	\$ 617	\$ —	\$ 464

Equity Offering and Forward Sale Agreements

In July 2017, we completed a registered underwritten offering of 11 million shares of our common stock at a public offering price of \$60.50 per share (the “Offering”). Of the 11 million shares of common stock, we offered five million shares directly and six million shares were offered in connection with forward sale agreements (the “Forward Sale Agreements”). The Offering closed in July 2017 and we received \$290 million of proceeds (\$288 million net of fees and expenses) from the sale of the five million shares. We used the net proceeds for general corporate purposes. In July 2018, we settled the forward sales in full by delivering six million shares of our common stock to the counterparties in the agreements and received \$349 million of net cash proceeds. We used these net cash proceeds to repay our Senior Notes due 2022 as described above.

Loan Covenants and Compliance

As of December 31, 2019, we were in compliance with the covenants and other provisions of our debt agreements. Any failure to comply with any material provision or covenant of these agreements could have a material adverse effect on our liquidity and operations.

Libor

Uncertainty related to the London Interbank Offered Rate (“LIBOR”) phase out at the end of 2021 may adversely impact the value of, and our obligations under, our ABL and term loan facilities. See the applicable discussion under Item 1A. Risk Factors.

Sources and Uses of Cash

Our cash flows from operating, investing and financing activities, as reflected on our Consolidated Statements of Cash Flows, are summarized as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2019	2018
Net cash provided by operating activities	\$ 791	\$ 1,102
Net cash used in investing activities	(161)	(400)
Net cash used in financing activities	(759)	(620)
Effect of exchange rates on cash, cash equivalents and restricted cash	2	(17)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (127)</u>	<u>\$ 65</u>

During 2019, we: (i) generated cash from operating activities of \$791 million; (ii) generated proceeds from sales of property and equipment of \$252 million; (iii) collected \$186 million on the deferred purchase price receivable; and (iv) received proceeds of \$1.8 billion on our debt. We used cash during this period primarily to: (i) purchase property and equipment of \$601 million; (ii) repurchase common stock of \$1.3 billion; (iii) make payments on debt and finance leases of \$867 million; (iv) purchase noncontrolling interests of \$258 million; and (v) pay debt issuance costs of \$28 million.

During 2018, we: (i) generated cash from operating activities of \$1,102 million; (ii) received proceeds of \$349 million from our forward sale settlement; and (iii) generated proceeds from sales of property and equipment of \$143 million. We used cash during this period principally to: (i) purchase property and equipment of \$551 million; (ii) repurchase common stock of \$536 million; (iii) make repurchases, net of proceeds, of \$151 million on our debt; (iv) make payments on debt and finance leases of \$119 million; (v) make payments, net of proceeds, of \$100 million on our ABL Facility; and (vi) make payments for tax withholdings on restricted shares of \$53 million.

Cash flows from operating activities for 2019 decreased by \$311 million compared with 2018. The decrease reflects \$14 million of lower cash generated from net income and \$297 million of higher cash usage from operating assets and liabilities for 2019 compared with 2018. The changes in the balances of operating assets and liabilities in 2019 compared to 2018 resulted primarily from: (i) a higher cash usage related to accounts payable reflecting the timing of payments; (ii) \$100 million of higher interest and tax payments in 2019; (iii) higher severance payments in 2019 under our approved restructuring programs; and (iv) a payment in 2019 of litigation costs for independent contractor matters.

Investing activities used \$161 million of cash in 2019 compared with \$400 million used in 2018. During 2019, we: (i) used \$601 million of cash to purchase property and equipment; (ii) received \$252 million from sales of property and equipment; and (iii) received proceeds of \$186 million related to the realization of cash on the deferred purchase price receivable. During 2018, we used \$551 million of cash to purchase property and equipment and received \$143 million of cash from the sales of property and equipment.

Financing activities used \$759 million of cash in 2019 compared with \$620 million used in 2018. The primary uses of cash in 2019 were: (i) \$1.3 billion used to purchase our common stock; (ii) \$779 million used to repay borrowings under the Unsecured Credit Facility and the senior variable funding notes in connection with the termination of our

prior trade securitization program; and (iii) \$258 million used to purchase a shareholder's noncontrolling interest in XPO Logistics Europe SA. The primary sources of cash from financing activities in 2019 was \$1.7 billion of net proceeds from the issuance of debt as described above. By comparison, the primary uses of cash from financing activities in 2018 was \$1,225 million repurchase of debt, \$536 million repurchase of common stock and \$119 million repayment of debt and finance leases. The main source of cash from financing activities in 2018 was \$1,064 million of net proceeds from the issuance of debt and \$349 million of proceeds from our forward sale settlement.

Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit plans for some employees in the U.S. and internationally. The largest of these plans include the funded U.S. plan and the unfunded U.S. plan and the funded U.K. plan. Historically, we have realized income, rather than expense, from these plans. We generated aggregate income from our U.S. and U.K. plans of \$54 million in 2019, \$74 million in 2018 and \$44 million in 2017. The plans have been generating income due to their funded status and because they do not allow for new plan participants or additional benefit accruals.

Defined benefit pension plan amounts are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligations and fair value of plan assets represent our best estimates based on available information regarding historical experience and factors that may cause future expectations to differ. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense or income.

Discount Rate

In determining the appropriate discount rate, we are assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated AA or better by Moody's, S&P or Fitch rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

The discount rates used in determining the net periodic benefit costs and benefit obligations are as follows:

	U.S. Qualified Plans		U.S. Non-Qualified Plans		U.K. Plan	
	2019	2018	2019	2018	2019	2018
Discount rate - net periodic benefit costs	4.08%	3.14% - 3.38%	3.65% - 3.95%	2.84% - 3.21%	2.56%	2.21%
Discount rate - benefit obligations	3.35%	4.18% - 4.39%	2.72% - 3.20%	3.93% - 4.28%	2.04%	2.85%

An increase or decrease of 25 basis points in the discount rate would decrease or increase our 2019 pre-tax pension income by \$2 million each for the U.S. plans and U.K. plan, respectively.

Beginning in 2018, we started using a full yield curve approach to estimate the interest cost component of net periodic benefit cost by applying specific spot rates along the yield curve used to determine the benefit obligation to each of the underlying projected cash flows based on time until payment. Before 2018, we estimated the interest cost component by using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. Our new approach provides a more precise measurement of interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change did not impact the measurement of our U.S. and U.K. pension benefit obligation and has been accounted for as a change in accounting estimate and applied prospectively.

Rate of Return on Plan Assets

We estimate the expected return on plan assets using current market data as well as historical returns. The expected return on plan assets is based on estimates of long-term returns and considers the plans' anticipated asset allocation over the course of the next year. The plan assets are managed using a long-term liability-driven investment strategy that seeks to mitigate the funded status volatility by increasing participation in fixed-income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans.

For the year ended December 31, 2019, our expected return on plan assets was \$90 million for the U.S. plans and \$58 million for the U.K. plan, compared to the actual return on plan assets of \$353 million for the U.S. plans and \$138 million for the U.K. plan. The actual annualized return on plan assets for the U.S. plans for 2019 was approximately 22%, which was above the expected return on asset assumption for the year due to positive performance in a strong long duration fixed income market environment, which represented over 81% of the portfolio, and positive performance from the domestic and international equity markets. The actual annualized return on plan assets for the U.K. plan for 2019 was approximately 11%, which was above the expected return on asset assumption for the year as a result of strong performances across equity and credit asset classes. An increase or decrease of 25 basis points in the expected return on plan assets would increase or decrease our 2019 pre-tax pension income by \$4 million for the U.S. plans and \$3 million for the U.K. plan.

Actuarial Gains and Losses

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets results in unrecognized actuarial gains or losses. For our defined benefit pension plans, accumulated unrecognized actuarial losses were \$5 million for the U.S. plans and \$54 million for the U.K. plan as of December 31, 2019. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants. We do not expect to recognize any amortization of actuarial gain or loss in our net periodic benefit expense (income) for 2020.

Effect on Results

The effects of the defined benefit pension plans on our results consist primarily of the net effect of the interest cost on plan obligations for the U.S. plans and the U.K. plan, and the expected return on plan assets. We estimate that the defined benefit pension plans will contribute annual pre-tax income in 2020 of \$48 million for the U.S. plans and \$36 million for the U.K. plan.

Funding

In determining the amount and timing of pension contributions for the U.S. plans, we consider our cash position, the funded status as measured by the Pension Protection Act of 2006 and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We contributed \$5 million to the U.S. plans in 2019 and 2018, respectively, and we estimate that we will contribute \$5 million to the U.S. plans in 2020.

For the U.K. plan, the amount and timing of pension contributions are determined in accordance with U.K. pension codes and trustee negotiations. We contributed \$2 million and \$3 million to the U.K. plan in 2019 and 2018, respectively. We estimate that we will contribute \$3 million to the U.K. plan in 2020.

For additional information, see Note 13—Employee Benefit Plans to our Consolidated Financial Statements.

Contractual Obligations

Our contractual obligations as of December 31, 2019 were:

<i>(In millions)</i>	Payments Due by Period				
	Total	2020	2021-2022	2023-2024	Thereafter
Contractual obligations					
Finance leases	\$ 403	\$ 71	\$ 131	\$ 119	\$ 82
Operating leases ⁽¹⁾	2,665	553	908	542	662
Purchase commitments	92	50	37	4	1
Debt (excluding finance leases)	5,072	26	1,204	1,537	2,305
Interest on debt ⁽²⁾	1,331	279	517	334	201
Total contractual cash obligations	\$ 9,563	\$ 979	\$ 2,797	\$ 2,536	\$ 3,251

(1) As of December 31, 2019, we had additional operating leases that have not yet commenced with future undiscounted lease payments of \$176 million. These operating leases will commence in fiscal year 2020 through fiscal year 2035 with initial lease terms of 4 years to 15 years.

(2) Estimated interest payments have been calculated based on the principal amount of debt and the applicable interest rates as of December 31, 2019.

As of December 31, 2019, our Consolidated Balance Sheet reflects a long-term liability of \$495 million for deferred taxes. Additionally, our Consolidated Balance Sheet reflects gross unrecognized tax benefits of \$24 million, which are primarily included in long-term liabilities. As the timing of future cash outflows for these liabilities is uncertain, they are excluded from the above table. Actual amounts of contractual cash obligations may differ from estimated amounts due to changes in foreign currency exchange rates. We anticipate net capital expenditures to be between \$475 million and \$525 million in 2020, funded by cash on hand and available liquidity.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles. A summary of our significant accounting policies is contained in Note 2—Basis of Presentation and Significant Accounting Policies to our Consolidated Financial Statements. The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain and may change based on changing circumstances or changes in our analysis. Material changes in these assumptions, estimates and/or judgments have the potential to materially alter our results of operations. We have identified below our accounting policies that we believe could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. Although actual results may differ from estimated results, we believe the estimates are reasonable and appropriate.

Evaluation of Goodwill

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, at the amount a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Our reporting units are our operating segments or one level below our operating segments for which discrete financial information is prepared and regularly reviewed by segment management. Application of the goodwill impairment test requires judgment, including the identification of reporting units, the assignment of assets and liabilities to reporting units, the assignment of goodwill to reporting units, and a determination of the fair value of each reporting unit.

For our 2019 goodwill assessment, we performed a quantitative analysis for all five of our reporting units using a combination of income and market approaches, with the assistance of a third-party valuation appraiser. As of August 31, 2019, we completed our annual impairment tests for goodwill with all of our reporting units having fair values in excess of their carrying values.

Accounting guidance allows entities to perform a qualitative assessment (a “step-zero” test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the entity does not need to perform a quantitative analysis for that reporting unit. The qualitative assessment includes review of macroeconomic conditions, industry and market considerations, internal cost factors, and overall financial performance, among other factors.

For our 2018 goodwill assessment, we performed a step-zero qualitative analysis for all of our reporting units. Based on the qualitative assessments performed, we concluded that it is not more-likely-than-not that the fair value of our reporting units was less than their carrying amounts, and therefore, further quantitative analysis was not performed.

For the years ended December 31, 2019 and 2018, we did not recognize any goodwill impairment.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The discount rates reflect management’s judgment and are based on a risk adjusted weighted-average cost of capital utilizing industry market data of businesses similar to the reporting units. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. Our forecasts also reflect expectations concerning future economic conditions, interest rates and other market data. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry. We believe this approach, which utilizes multiple valuation techniques, yields the most appropriate evidence of fair value.

Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

Self-Insurance Accruals

We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo and workers’ compensation claims. We periodically evaluate our level of insurance coverage and adjust our insurance levels based on risk tolerance and premium expense. Liabilities for the risks we retain, including estimates of claims incurred but not reported, are not discounted and are estimated, in part, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. Additionally, claims may emerge in future years for events that occurred in a prior year at a rate that differs from previous actuarial projections. We believe the actuarial methods are appropriate for measuring these self-insurance accruals. However, based on the number of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

Income Taxes

Our annual effective tax rate is based on our income and statutory tax rates in the various jurisdictions in which we operate. Judgment and estimates are required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and as new information becomes available. Our effective tax rate in any financial statement period may be materially impacted by changes in the mix and/or level of earnings by taxing jurisdiction.

Deferred income tax assets represent amounts available to reduce income taxes payable in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of deferred tax liabilities, carrybacks available, and historical and projected pre-tax profits generated by operations. Valuation allowances are established when, in management’s judgment, it is more-likely-than-not that its deferred tax assets will not be realized. In assessing the need for a valuation allowance, management weighs the available positive and negative evidence, including limitations on the use of tax losses and other carryforwards due to changes in ownership, historic information, and projections of future sources of taxable income that include and exclude future reversals of taxable temporary differences.

New Accounting Standards

Information related to new accounting standards is included in Note 2—Basis of Presentation and Significant Accounting Policies and Note 8—Leases to our Consolidated Financial Statements in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in such forward-looking statements. We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and commodity price risk.

Interest Rate Risk

We have exposure to changes in interest rates on our debt, as follows:

Term Loan Facility. As of December 31, 2019, we had an aggregate principal amount outstanding of \$2,003 million on our Term Loan Facility. The interest rate fluctuates based on the LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin. Assuming an average annual aggregate principal amount outstanding of \$2,003 million, a hypothetical 1% increase in the interest rate would have increased our annual interest expense by \$20 million. Additionally, we utilize short-term interest rate swaps to mitigate variability in forecasted interest payments on our Term Loan Facility. The interest rate swaps convert floating-rate interest payments into fixed rate interest payments.

ABL Facility. The interest rates on our ABL Facility fluctuate based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin. Assuming our \$1.1 billion ABL Facility was fully drawn throughout 2019, a hypothetical 1% change in the interest rate would have increased our annual interest expense by \$11 million.

Asset Financing. As of December 31, 2019, we had outstanding \$11 million aggregate principal amount of asset financing. Most of our Asset Financing arrangements have floating interest rates that subject us to risk resulting from changes in short-term (primarily Euribor) interest rates. Assuming an average annual aggregate principal amount outstanding of \$11 million, a hypothetical 1% increase in the interest rate would increase our annual interest expense by less than \$1 million.

Fixed Rate Debt. As of December 31, 2019, we had an aggregate of \$3.1 billion of indebtedness (excluding finance leases) that bears interest at fixed rates. A 1% decrease in market interest rates as of December 31, 2019 would increase the fair value of our fixed-rate indebtedness by approximately 4%. For additional information concerning our debt, see Note 12—Debt to our Consolidated Financial Statements.

Foreign Currency Exchange Risk

A significant proportion of our net assets and income are in non-U.S. dollar (“USD”) currencies, primarily the euro (“EUR”) and British pound sterling (“GBP”). We are exposed to currency risk from potential changes in functional currency values of our foreign currency denominated assets, liabilities and cash flows. Consequently, a depreciation of the EUR or the GBP relative to the USD could have an adverse impact on our financial results.

In connection with the issuances of the senior notes due 2023 and the Senior Notes due 2022, we entered into cross-currency swap agreements to partially manage the related foreign currency exchange risk by effectively converting a portion of the fixed-rate USD-denominated notes, including the interest payments, to fixed-rate, EUR-denominated debt. The risk management objective is to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies.

We use foreign currency option contracts to mitigate the risk of a reduction in the value of earnings from our operations that use the EUR or GBP as their functional currency.

As of December 31, 2019, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of \$32 million. As of December 31, 2019, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of \$53 million. These theoretical calculations assume that an instantaneous, parallel shift in exchange rates occurs, which is not consistent with our actual experience in foreign currency transactions. Fluctuations in exchange rates also affect the volume of

sales or the foreign currency sales price as competitors' services become more or less attractive. The sensitivity analysis of the impact of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

Commodity Price Risk

We are exposed to price fluctuations for diesel fuel purchased for use in our vehicles. During the year ended December 31, 2019, diesel prices fluctuated by as much as 14% in France, 11% in the United Kingdom, and 7% in the United States. However, we include price adjustment clauses or cost-recovery mechanisms in many of our customer contracts in the event of a change in the cost to purchase fuel. The clauses mean that substantially all fluctuations in the purchase price of diesel, except for short-term economic fluctuations, can be passed on to customers in the sales price. Therefore, a hypothetical 10% change in the price of diesel would not be expected to materially affect our financial performance over the long term.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	<u>Page No.</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>49</u>
<u>Consolidated Balance Sheets as of December 31, 2019 and 2018</u>	<u>52</u>
<u>Consolidated Statements of Income for the Years Ended December 31, 2019, 2018 and 2017</u>	<u>53</u>
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017</u>	<u>54</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017</u>	<u>55</u>
<u>Consolidated Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017</u>	<u>56</u>
<u>Notes to Consolidated Financial Statements</u>	<u>58</u>

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

XPO Logistics, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Notes 2 and 8 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of Accounting Standard Update (ASU) No. 2016-02, Leases and its related amendments (Topic 842).

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the estimated liabilities for self-insured claims

As discussed in Note 2 to the consolidated financial statements, the Company uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of liability, vehicular, and workers' compensation claims ("self-insured claims"). The Company records estimates of the undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. These liabilities are recorded within accrued liabilities and other long-term liabilities as of December 31, 2019.

We identified the assessment of the estimated liabilities for self-insured claims as a critical audit matter. The evaluation of the uncertainty in the amounts that will ultimately be paid to settle these claims required significant auditor judgment. Factors that may affect the estimated liability of claims include the consideration of historical cost experience, severity factors, and judgments about current and expected levels of cost per claims and retention levels. Additionally, the Company's liabilities included estimates for expenses of claims that have been incurred but have not been reported, and specialized skills were needed to evaluate the actuarial methods and models used to assess these estimates.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's self-insurance process including controls over the assumptions used in estimating the liability. In addition, we compared the Company's estimates of liabilities for self-insured claims to current available information which include legal claims, incident and case reports, current and historical cost experience, or other evidence. We involved an actuarial professional with specialized skills and knowledge, who assisted in:

- Comparing the Company's actuarial reserving methodologies with generally accepted actuarial standards;
- Evaluating assumptions used in determining the liability, including expected level of cost per claim and retention levels, in relation to recent historical loss payment trends;
- Developing an independent expected range of reserves, including reserves for claims that have

been incurred but have not been recorded, based on actuarial methodologies in order to evaluate the Company's estimated liabilities; and

- Comparing the Company's recorded liability to an independently developed liability range.

Assessment of the carrying value of goodwill

As discussed in notes 2 and 9 to the consolidated financial statements, the goodwill balance as of December 31, 2019 was \$4,450 million. The Company performs goodwill impairment testing annually, or more frequently if events or circumstances indicate the carrying value of a reporting unit that includes goodwill might exceed the fair value of that reporting unit. The Company uses a combination of an income approach and a market based approach in assessing the carrying value of its goodwill. The income approach is based on the present value of estimated future cash flows, discounted at a risk-adjusted rate to estimate the fair value of the reporting units. The market approach is based on comparable market multiples for public companies engaged in similar business, as well as recent transactions within the industry and related data.

We identified the assessment of the carrying value of goodwill for each of the Company's reporting units as a critical audit matter. Assessment of certain assumptions utilized to estimate fair value under the income approach, including long-term future growth rates and the risk adjusted discount rate, required significant auditor judgment. Additionally, assessment of the guideline public companies and transactions within the industry used to estimate fair value under the market approach required significant auditor judgment. Changes to these assumptions can have a significant effect on the Company's assessment of the carrying value of the goodwill.

The primary procedures performed to address this critical audit matter included the following. We tested certain internal controls over the Company's goodwill impairment assessment process, including controls related to the determination of the fair value of the reporting unit, the estimate of long-term future growth rates, the assumptions used to develop the risk-adjusted discount rate, and the determination of the guideline public companies and transactions within the industry. Performed sensitivity analyses over the fair value model and long-term future growth rates to assess their impact on the Company's determination of the fair value of each reporting unit. Compared the Company's historical growth rate forecast to actual results to assess the Company's ability to accurately forecast. Involved a valuation professional with specialized skill and knowledge who assisted in:

- Comparing the valuation methodologies used by the Company to valuation standards;
- Comparing the Company's risk adjusted discount rate to a risk adjusted discount rate range that was independently developed using publicly available third-party market data for comparable entities;
- Comparing the long-term growth rate to industry data, economic growth data, and long-term growth rates utilized in prior years' valuation analyses by the Company; and
- Evaluating the guideline public companies and transactions utilized by the Company by reading the Capital IQ business descriptions, examining financial metrics of the comparable public companies and transactions within the industry, and considering market participant guidance and perspective.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Stamford, Connecticut

February 10, 2020

XPO Logistics, Inc.

Consolidated Balance Sheets

<i>(In millions, except per share data)</i>	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 377	\$ 502
Accounts receivable, net of allowances of \$58 and \$52, respectively	2,500	2,596
Other current assets	465	590
Total current assets	3,342	3,688
Property and equipment, net of \$2,054 and \$1,585 in accumulated depreciation, respectively	2,704	2,605
Operating lease assets	2,245	—
Goodwill	4,450	4,467
Identifiable intangible assets, net of \$850 and \$706 in accumulated amortization, respectively	1,092	1,253
Other long-term assets	295	257
Total long-term assets	10,786	8,582
Total assets	\$ 14,128	\$ 12,270
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,157	\$ 1,258
Accrued expenses	1,414	1,480
Short-term borrowings and current maturities of long-term debt	84	367
Short-term operating lease liabilities	468	—
Other current liabilities	135	208
Total current liabilities	3,258	3,313
Long-term debt	5,182	3,902
Deferred tax liability	495	444
Employee benefit obligations	157	153
Long-term operating lease liabilities	1,776	—
Other long-term liabilities	364	488
Total long-term liabilities	7,974	4,987
Stockholders' equity:		
Convertible perpetual preferred stock, \$0.001 par value; 10 shares authorized; 0.07 of Series A shares issued and outstanding as of December 31, 2019 and 2018, respectively	41	41
Common stock, \$0.001 par value; 300 shares authorized; 92 and 116 shares issued and outstanding as of December 31, 2019 and 2018, respectively	—	—
Additional paid-in capital	2,061	3,311
Retained earnings	786	377
Accumulated other comprehensive loss	(145)	(154)
Total stockholders' equity before noncontrolling interests	2,743	3,575
Noncontrolling interests	153	395
Total equity	2,896	3,970
Total liabilities and equity	\$ 14,128	\$ 12,270

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Income

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2019	2018	2017
Revenue	\$ 16,648	\$ 17,279	\$ 15,381
Operating expenses			
Cost of transportation and services	8,303	9,013	8,132
Direct operating expense	5,679	5,725	5,006
Sales, general and administrative expense	1,845	1,837	1,661
Total operating expenses	15,827	16,575	14,799
Operating income	821	704	582
Other expense (income)	(54)	(109)	(57)
Foreign currency loss	9	3	58
Debt extinguishment loss	5	27	36
Interest expense	292	217	284
Income before income tax provision (benefit)	569	566	261
Income tax provision (benefit)	129	122	(99)
Net income	440	444	360
Net income attributable to noncontrolling interests	(21)	(22)	(20)
Net income attributable to XPO	\$ 419	\$ 422	\$ 340
Earnings per share data (Note 17):			
Net income attributable to common shareholders	\$ 379	\$ 390	\$ 312
Basic earnings per share	\$ 3.95	\$ 3.17	\$ 2.72
Diluted earnings per share	\$ 3.57	\$ 2.88	\$ 2.45
Weighted-average common shares outstanding			
Basic weighted-average common shares outstanding	96	123	115
Diluted weighted-average common shares outstanding	106	135	128

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Comprehensive Income

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Net income	\$ 440	\$ 444	\$ 360
Other comprehensive income (loss), net of tax			
Foreign currency translation gain (loss), net of tax effect of \$(7), \$(6) and \$47	\$ 23	\$ (100)	\$ 180
Unrealized gain (loss) on financial assets/liabilities designated as hedging instruments, net of tax effect of \$(1) in all periods	4	(6)	5
Defined benefit plans adjustment, net of tax effect of \$1, \$23 and \$(29)	(19)	(91)	90
Other comprehensive income (loss)	8	(197)	275
Comprehensive income	\$ 448	\$ 247	\$ 635
Less: Comprehensive income (loss) attributable to noncontrolling interests	20	(5)	72
Comprehensive income attributable to XPO	\$ 428	\$ 252	\$ 563

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Cash Flows

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Operating activities			
Net income	\$ 440	\$ 444	\$ 360
Adjustments to reconcile net income to net cash from operating activities			
Depreciation, amortization and net lease activity	739	716	658
Stock compensation expense	67	49	79
Accretion of debt	21	15	19
Deferred tax expense (benefit)	46	45	(158)
Debt extinguishment loss	5	27	36
Unrealized loss (gain) on foreign currency option and forward contracts	9	(20)	49
Gain on sale of equity investment	—	(24)	—
Gains on sales of property and equipment	(110)	(8)	(13)
Other	21	8	26
Changes in assets and liabilities:			
Accounts receivable	(67)	(13)	(320)
Other assets	(47)	(49)	(92)
Accounts payable	(120)	35	140
Accrued expenses and other liabilities	(213)	(123)	1
Net cash provided by operating activities	<u>791</u>	<u>1,102</u>	<u>785</u>
Investing activities			
Payment for purchases of property and equipment	(601)	(551)	(504)
Proceeds from sale of property and equipment	252	143	118
Cash collected on deferred purchase price receivable	186	—	—
Other	2	8	—
Net cash used in investing activities	<u>(161)</u>	<u>(400)</u>	<u>(386)</u>
Financing activities			
Proceeds from issuance of debt	1,754	1,074	819
Repurchase of debt	—	(1,225)	(1,387)
Proceeds from borrowings on ABL facility	1,935	1,355	995
Repayment of borrowings on ABL facility	(1,935)	(1,455)	(925)
Repayment of debt and finance leases	(867)	(119)	(106)
Payment for debt issuance costs	(28)	(10)	(17)
Proceeds from forward sale settlement	—	349	—
Proceeds from common stock offerings	—	—	288
Purchase of noncontrolling interests	(258)	—	—
Repurchase of common stock	(1,347)	(536)	—
Payment for tax withholdings for restricted shares	(14)	(53)	(17)
Dividends paid	(8)	(8)	(7)
Other	9	8	(9)
Net cash used in financing activities	<u>(759)</u>	<u>(620)</u>	<u>(366)</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	2	(17)	16
Net (decrease) increase in cash, cash equivalents and restricted cash	(127)	65	49
Cash, cash equivalents and restricted cash, beginning of year	514	449	400
Cash, cash equivalents and restricted cash, end of year	<u>\$ 387</u>	<u>\$ 514</u>	<u>\$ 449</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 282	\$ 233	\$ 274
Cash paid for income taxes	\$ 121	\$ 70	\$ 79

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.

Consolidated Statements of Changes in Equity

For the Three Years Ended December 31, 2019, 2018 and 2017

	Series A Preferred Stock		Common Stock				Accumulated (Deficit) Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-In Capital						
<i>(Shares in thousands, dollars in millions)</i>											
Balance as of December 31, 2016	72	\$ 42	111,087	\$ —	\$ 3,245	\$ (393)	\$ (194)	\$ 2,700	\$ 338	\$ 3,038	
Net income	—	—	—	—	—	340	—	340	20	360	
Other comprehensive income	—	—	—	—	—	—	223	223	52	275	
Exercise and vesting of stock compensation awards	—	—	728	—	1	—	—	1	—	1	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(17)	—	—	(17)	—	(17)	
Issuance of common stock from offering	—	—	5,000	—	288	—	—	288	—	288	
Conversion of Series A preferred stock to common stock	—	(1)	103	—	1	—	—	—	—	—	
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	3,002	—	49	—	—	49	—	49	
Dividend paid	—	—	—	—	—	(3)	—	(3)	(4)	(7)	
Impact of tax reform act	—	—	—	—	—	13	(13)	—	—	—	
Stock compensation expense	—	—	—	—	23	—	—	23	—	23	
Balance as of December 31, 2017	72	\$ 41	119,920	\$ —	\$ 3,590	\$ (43)	\$ 16	\$ 3,604	\$ 406	\$ 4,010	
Net income	—	—	—	—	—	422	—	422	22	444	
Other comprehensive loss	—	—	—	—	—	—	(170)	(170)	(27)	(197)	
Exercise and vesting of stock compensation awards	—	—	995	—	1	—	—	1	—	1	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(53)	—	—	(53)	—	(53)	
Issuance of common stock from forward sale settlement	—	—	6,000	—	349	—	—	349	—	349	
Retirement of common stock	—	—	(11,314)	—	(608)	—	—	(608)	—	(608)	
Dividend paid	—	—	—	—	—	(3)	—	(3)	(6)	(9)	
Stock compensation expense	—	—	—	—	30	—	—	30	—	30	
Other	—	—	82	—	2	1	—	3	—	3	
Balance as of December 31, 2018	72	\$ 41	115,683	\$ —	\$ 3,311	\$ 377	\$ (154)	\$ 3,575	\$ 395	\$ 3,970	

XPO Logistics, Inc.

Consolidated Statements of Changes in Equity (continued)
For the Three Years Ended December 31, 2019, 2018 and 2017

	Series A Preferred Stock		Common Stock				Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Additional Paid-In Capital						
<i>(Shares in thousands, dollars in millions)</i>											
Balance as of December 31, 2018	72	\$ 41	115,683	\$ —	\$ 3,311	\$ 377	\$ (154)	\$ 3,575	\$ 395	\$ 3,970	
Net income	—	—	—	—	—	419	—	419	21	440	
Other comprehensive income (loss)	—	—	—	—	—	—	9	9	(1)	8	
Exercise and vesting of stock compensation awards	—	—	489	—	1	—	—	1	—	1	
Tax withholdings related to vesting of stock compensation awards	—	—	—	—	(14)	—	—	(14)	—	(14)	
Purchase of noncontrolling interests	—	—	—	—	(3)	—	—	(3)	(255)	(258)	
Retirement of common stock	—	—	(23,932)	—	(1,275)	—	—	(1,275)	—	(1,275)	
Dividend paid	—	—	—	—	—	(3)	—	(3)	(5)	(8)	
Stock compensation expense	—	—	—	—	36	—	—	36	—	36	
Adoption of new accounting standard and other	—	—	—	—	5	(7)	—	(2)	(2)	(4)	
Balance as of December 31, 2019	72	\$ 41	92,342	\$ —	\$ 2,061	\$ 786	\$ (145)	\$ 2,743	\$ 153	\$ 2,896	

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Notes to Consolidated Financial Statements
Years Ended December 31, 2019, 2018 and 2017

1. Organization

Nature of Operations

We use an integrated network of people, technology and physical assets to help companies manage their goods most efficiently throughout their supply chains. Our customers are multinational, national, mid-size and small enterprises. We run our business on a global basis, with two reportable segments: Transportation and Logistics. See Note 4—Segment Reporting and Geographic Information for additional information on our segments.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which requires us to make estimates and assumptions that impact the amounts reported and disclosed in our consolidated financial statements and the accompanying notes. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions.

Consolidation

Our consolidated financial statements include the accounts of XPO Logistics, Inc. (“XPO” or “we”) and our majority-owned subsidiaries and variable interest entities (“VIEs”) where we are the primary beneficiary. We have eliminated intercompany accounts and transactions.

To determine if we are a primary beneficiary of a VIE, we evaluate whether we are able to direct the activities that significantly impact the VIE’s economic performance, including whether we control the operations of each VIE and whether we can operate the VIEs under our brand or policies. Investors in these VIEs only have recourse to the assets owned by the VIE and not to our general credit. We do not have implicit support arrangements with any VIE. Other than the special purpose entity, which we consolidate related to the European Trade Securitization Program discussed below in this Note and in Note 12—Debt, assets and liabilities of VIEs where we are the primary beneficiary are not significant to our consolidated financial statements.

We have a controlling financial interest in other entities generally when we own a majority of the voting interest. The noncontrolling interests reflected in our consolidated financial statements primarily relate to a minority interest in XPO Logistics Europe SA (“XPO Logistics Europe”), formally known as Norbert Dentressangle SA (“ND”), a business we acquired in 2015. As described in Note 3—Purchase of Noncontrolling Interest, we purchased a portion of the noncontrolling interests in 2019. Following this acquisition, our noncontrolling interest was reduced to approximately 5% of XPO Logistics Europe.

Significant Accounting Policies

Revenue Recognition

We recognize revenue when we transfer control of promised products or services to customers in an amount equal to the consideration we expect to receive for those products or services.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied. A description of our performance obligations for our transportation and logistics reportable segments is below.

Transportation

Our transportation segment generates revenue by providing freight brokerage and other transportation services for our customers. Additional services may be provided to our customers under their transportation contracts, including unloading and other incidental services. The transaction price is based on the consideration specified in the customer's contract.

A performance obligation is created when a customer under a transportation contract submits a bill of lading for the transport of goods from origin to destination. These performance obligations are satisfied as the shipments move from origin to destination. We recognize transportation revenue proportionally as a shipment moves from origin to destination and the related costs are recognized as incurred. Some of our customer contracts contain our promise to stand ready to provide transportation services. For these contracts, we recognize revenue on a straight-line basis over the term of the contract because the pattern of benefit to the customer, and our efforts to fulfill the contract, are generally distributed evenly throughout the period. Performance obligations are short-term, with transit days less than one week. Generally, customers are billed on shipment of the freight or on a monthly basis and make payment according to approved payment terms. When we do not control the specific services, we recognize revenue as the difference between the amount the customer pays us for the service less the amount we are charged to perform the service.

Logistics

Our logistics segment generates revenue by providing supply chain services for our customers, including warehousing, distribution, order fulfillment, packaging, reverse logistics and inventory management contracts ranging from a few months to a few years. Our performance obligations are satisfied over time as customers receive and consume the benefits of our services. The contracts contain a single performance obligation as the distinct services provided remain substantially the same over time and possess the same pattern of transfer. The transaction price is based on the consideration specified in the contract with the customer and contains fixed and variable consideration. In general, the fixed consideration component of a contract represents reimbursement for facility and equipment costs incurred to satisfy the performance obligation and is recognized on a straight-line basis over the term of the contract. The variable consideration component is comprised of cost reimbursement determined based on the costs incurred, while per-unit pricing is determined based on units provided and time and materials pricing is determined based on the hours of services provided. The variable consideration component is recognized over time based on the level of activity.

Generally, we can adjust our pricing based on contractual provisions related to achieving agreed-upon performance metrics, changes in volumes, services and market conditions. Revenue relating to these pricing adjustments is estimated and included in the consideration if it is probable that a significant revenue reversal will not occur in the future. The estimate of variable consideration is determined by the expected value or most likely amount method and factors in current, past and forecasted experience with the customer. Customers are billed based on terms specified in the revenue contract and they pay us according to approved payment terms.

Contract Costs

We expense the incremental costs of obtaining contracts when incurred, if the amortization period of the assets is one year or less. These costs are included in Direct operating expense.

Cash, Cash Equivalents and Restricted Cash

We consider all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents. As of December 31, 2019, 2018 and 2017, our restricted cash included in Other long-term assets on our Consolidated Balance Sheets was \$10 million, \$12 million and \$52 million, respectively. Restricted cash as of December 31, 2017 was primarily tax-deferred proceeds from a property sale in 2017, which was reclassified in 2018.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable at the contractual amount and we record an allowance for doubtful accounts for the amount we estimate we may not collect. In determining the allowance for doubtful accounts, we consider historical

collection experience, the age of the accounts receivable balances, the credit quality of our customers, any specific customer collection issues, current economic conditions, and other factors that may impact our customers' ability to pay. We write off accounts receivable balances once the receivables are no longer deemed collectible.

The roll-forward of the allowance for doubtful accounts was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Beginning balance	\$ 52	\$ 42	\$ 26
Provision charged to expense	34	36	24
Write-offs, less recoveries, and other adjustments	(28)	(26)	(8)
Ending balance	<u>\$ 58</u>	<u>\$ 52</u>	<u>\$ 42</u>

Trade Receivables Securitization and Factoring Programs

We use trade receivables securitization and factoring programs to help manage our cash flows and offset the impact of extended payment terms for some of our customers.

In July 2019, XPO Logistics Europe, one of our majority-owned subsidiaries, entered into a new, three-year trade receivables securitization program co-arranged by Crédit Agricole, BNP Paribas and HSBC (the "Purchasers") and terminated its prior program. Under the new program, a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of XPO Logistics Europe in the United Kingdom and France. The special purpose entity is a variable interest entity and is consolidated by XPO Logistics Europe based on its control of the entity's activities. Our subsidiary sells these trade receivables to unaffiliated entities managed by the Purchasers. Under the terminated prior program, the receivables were originally funded by senior variable funding notes in the same currency as the corresponding receivables. See Note 12—Debt for additional information related to our receivables securitization secured borrowing program.

We account for transfers under our factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. We account for transfers under our securitization programs as either sales or secured borrowings based on an evaluation of whether control has transferred. In instances where we do not meet the criteria for surrender of control, the transaction was accounted for as a secured borrowing. For these transactions, the receivables remained on our Consolidated Balance Sheets and the notes were reflected within debt. For transfers in the securitization programs where we have surrendered control of the receivables, the transactions are accounted for as sales and the receivables are derecognized from our Consolidated Balance Sheets at the date of transfer. In the securitization and factoring arrangements, any of our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial.

Under the terminated securitization program, if transfers were accounted for as sales, the consideration received included a simultaneous cash payment and a deferred purchase price receivable. The deferred purchase price receivable was not a trade receivable and was recorded based on its fair value and reported within Other current assets on our Consolidated Balance Sheets. The cash payment which we received on the date of the transfer was reflected within Net cash provided by operating activities. As we received cash payments on the deferred purchase price receivable, it was reflected as an investing activity. As of December 31, 2018, the balance of deferred purchase price receivable reflected within Other current assets was \$52 million. The new program does not include a deferred purchase price mechanism and all transfers of eligible receivables under the new program are accounted for as sales.

The maximum amount of net cash proceeds available at any one time under the new program is €400 million (approximately \$448 million as of December 31, 2019). As of December 31, 2019, €65 million (approximately \$73 million) was available to us based on the level of receivables sold and outstanding as of that date. The weighted average interest rate was 0.86% as of December 31, 2019. Charges for commitment fees, which are based on a percentage of available amounts, and charges for administrative fees were not material to our results of operations for the years ended December 31, 2019 and 2018.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Securitization programs			
Receivables sold in period	\$ 2,231	\$ 231	\$ —
Cash consideration	2,095	179	—
Deferred purchase price	135	52	—
Factoring programs			
Receivables sold in period	858	663	119
Cash consideration	854	660	119

In addition to the cash considerations referenced above, we received \$186 million in the year ended December 31, 2019, for the realization of cash on the deferred purchase price receivable for our prior securitization program.

Property and Equipment

We generally record property and equipment at cost, or in the case of acquired property and equipment, at fair value at the date of acquisition. Maintenance and repair expenditures are charged to expense as incurred. For internally-developed computer software, all costs incurred during planning and evaluation are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized software also includes the fair value of acquired internally-developed technology.

We compute depreciation expense on a straight-line basis over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Buildings and leasehold improvements	Term of lease to 40 years
Vehicles, containers, tractors, trailers and tankers	3 to 14 years
Rail cars and chassis	15 to 30 years
Machinery and equipment	3 to 15 years
Computer software and equipment	1 to 6 years

Leases

We determine if an arrangement is a lease at inception. We recognize operating lease right-of-use assets and liabilities at the lease commencement date based on the estimated present value of the lease payments over the lease term. As most of our leases do not provide an implicit rate, we use incremental borrowing rates based on our outstanding debt to determine the present value of future lease payments. We include options to extend or terminate a lease in the lease term when we are reasonably certain to exercise such options. We exclude variable lease payments (such as payments based on an index or reimbursements of lessor costs) from our initial measurement of the lease liability. We recognize leases with an initial term of 12 months or less as lease expense over the lease term and those leases are not recorded on our Consolidated Balance Sheets. We account for lease and non-lease components within a contract as a single lease component for our real estate leases. For additional information on our leases, see Note 8—Leases.

Asset Retirement Obligations

A liability for an asset retirement obligation is recorded in the period in which it is incurred. When an asset retirement obligation liability is initially recorded, we capitalize the cost by increasing the carrying amount of the related long-lived asset. For each subsequent period, the liability is increased for accretion expense and the capitalized cost is depreciated over the useful life of the related asset.

Goodwill

We measure goodwill as the excess of consideration transferred over the fair value of net assets acquired in business combinations. We allocate goodwill to our reporting units for the purpose of impairment testing. We evaluate goodwill for impairment annually, or more frequently if an event or circumstance indicates an impairment loss may have been incurred. We measure goodwill impairment, if any, at the amount a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Our reporting units are our operating segments or one level below our operating segments for which discrete financial information is prepared and regularly reviewed by segment management.

For our 2019 goodwill assessment, we performed a quantitative analysis for all five of our reporting units using a combination of income and market approaches, with the assistance of a third-party valuation appraiser. As of August 31, 2019, we completed our annual impairment tests for goodwill with all of our reporting units having fair values in excess of their carrying values.

Accounting guidance allows entities to perform a qualitative assessment (a "step-zero" test) before performing a quantitative analysis. If an entity determines that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the entity does not need to perform a quantitative analysis for that reporting unit. The qualitative assessment includes review of macroeconomic conditions, industry and market considerations, internal cost factors, and overall financial performance, among other factors.

For our 2018 goodwill assessment, we performed a step-zero qualitative analysis for all of our reporting units. Based on the qualitative assessments performed, we concluded that it is not more-likely-than-not that the fair value of our reporting units was less than their carrying amounts, and therefore, further quantitative analysis was not performed.

For the years ended December 31, 2019 and 2018, we did not recognize any goodwill impairment.

The income approach of determining fair value is based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. The market approach of determining fair value is based on comparable market multiples for companies engaged in similar businesses, as well as recent transactions within our industry.

Intangible Assets

Our intangible assets subject to amortization consist of customer relationships and non-compete agreements. We review long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired if the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. We estimate fair value using the expected future cash flows discounted at a rate comparable with the risks associated with the recovery of the asset. We amortize intangible assets on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized. The range of estimated useful lives by type are as follows:

Classification	Estimated Useful Life
Customer relationships	5 to 16 years
Non-compete agreements	Term of agreement

Accrued Expenses

<i>(In millions)</i>	As of December 31,	
	2019	2018
Accrued salaries and wages	\$ 478	\$ 539
Accrued transportation and facility charges	454	462
Accrued value-added tax and other taxes	163	172
Other accrued expenses	319	307
Total accrued expenses	<u>\$ 1,414</u>	<u>\$ 1,480</u>

Self-Insurance

We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. We periodically evaluate our level of insurance coverage and adjust our insurance levels based on risk tolerance and premium expense.

Liabilities for the risks we retain, including estimates of claims incurred but not reported, are not discounted and are estimated, in part, by considering historical cost experience, demographic and severity factors, and judgments about current and expected levels of cost per claim and retention levels. Changes in these assumptions and factors can impact actual costs paid to settle the claims and those amounts may be different than estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Stockholders' Equity

We retire shares purchased under our share repurchase program and return them to authorized and unissued status. We charge any excess of cost over par value to Additional paid-in capital if a balance is present. If Additional paid-in capital is fully depleted, any remaining excess of cost over par value will be charged to Retained earnings.

Accumulated Other Comprehensive Income (Loss)

The components of and changes in accumulated other comprehensive income (loss) ("AOCI"), net of tax for the years ended December 31, 2019 and 2018, are as follows:

<i>(In millions)</i>	Foreign Currency Translation Adjustments	Derivative Hedges	Defined Benefit Plans Liability	Less: AOCI Attributable to Noncontrolling Interests	AOCI Attributable to XPO
As of December 31, 2017	\$ (43)	\$ 7	\$ 79	\$ (27)	\$ 16
Other comprehensive (loss) income	(96)	12	(89)	27	(146)
Amounts reclassified from AOCI	(4)	(18)	(2)	—	(24)
Net current period other comprehensive loss	(100)	(6)	(91)	27	(170)
As of December 31, 2018	(143)	1	(12)	—	(154)
Other comprehensive income (loss)	33	10	(18)	1	26
Amounts reclassified from AOCI	(10)	(6)	(1)	—	(17)
Net current period other comprehensive income (loss)	23	4	(19)	1	9
As of December 31, 2019	<u>\$ (120)</u>	<u>\$ 5</u>	<u>\$ (31)</u>	<u>\$ 1</u>	<u>\$ (145)</u>

Income Taxes

We account for income taxes using the asset and liability method on a legal entity and jurisdictional basis, under which we recognize the amount of taxes payable or refundable for the current year and deferred tax assets and

liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns. Our calculation relies on several factors, including pre-tax earnings, differences between tax laws and accounting rules, statutory tax rates, tax credits, uncertain tax positions, and valuation allowances. We use judgment and estimates in evaluating our tax positions. Valuation allowances are established when, in our judgment, it is more likely than not that our deferred tax assets will not be realized based on all available evidence. We record Global Intangible Low-Taxed Income (“GILTI”) tax as a period cost.

Our tax returns are subject to examination by U.S. Federal, state and foreign taxing jurisdictions. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years. We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more-likely-than-not that the tax positions will be sustained on examination by the tax authority. We adjust these tax liabilities, including related interest and penalties, based on the current facts and circumstances. We report tax-related interest and penalties as a component of income tax expense.

Foreign Currency Translation and Transactions

The assets and liabilities of our foreign subsidiaries that use their local currency as their functional currency are translated to U.S. dollars (“USD”) using the exchange rate prevailing at each balance sheet date, with balance sheet currency translation adjustments recorded in AOCI on our Consolidated Balance Sheets. The assets and liabilities of our foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to USD. The results of operations of our foreign subsidiaries are translated to USD using average exchange rates prevailing for each period presented.

We convert foreign currency transactions recognized on our Consolidated Statements of Income to USD by applying the exchange rate prevailing on the date of the transaction. Gains and losses arising from foreign currency transactions and the effects of remeasuring monetary assets and liabilities are recorded in Foreign currency loss on our Consolidated Statements of Income.

Foreign currency loss included on our Consolidated Statements of Income consisted of the following:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Unrealized foreign currency option and forward contracts losses (gains)	\$ 9	\$ (20)	\$ 49
Realized foreign currency option and forward contracts losses	—	16	15
Foreign currency transaction and remeasurement losses (gains)	—	7	(6)
Total foreign currency loss	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 58</u>

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The levels of inputs used to measure fair value are:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques that reflect management’s judgment and estimates.

We base our fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, deferred purchase price related to accounts receivable sold, accounts payable, accrued expenses and current maturities of long-term debt approximated their fair values as of December 31, 2019 and 2018 due to their short-term nature and/or are receivable or payable on demand. The Level 1 cash equivalents include money market funds valued using quoted prices in active markets. The Level 2 cash equivalents include short-term investments valued using published interest rates for instruments with similar terms and maturities. For

information on the fair value hierarchy of our derivative instruments, see Note 11—Derivative Instruments and for information on financial liabilities, see Note 12—Debt.

The fair value hierarchy of cash equivalents was as follows:

<i>(In millions)</i>	As of December 31, 2019			
	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	\$ 144	\$ 144	\$ 127	\$ 17

<i>(In millions)</i>	As of December 31, 2018			
	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	\$ 237	\$ 237	\$ 236	\$ 1

Derivative Instruments

We record all derivative instruments on our Consolidated Balance Sheets as assets or liabilities at fair value. Our accounting treatment for changes in the fair value of derivative instruments depends on whether the instruments have been designated and qualify as part of a hedging relationship and on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must designate the derivative based on the exposure being hedged and assess, both at the hedge’s inception and on an ongoing basis, whether the designated derivative instruments are highly effective in offsetting changes in earnings and cash flows of the hedged items. When a derivative instrument is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, hedge accounting is discontinued prospectively. We link cash flow hedges to specific forecasted transactions or variability of cash flow to be paid.

The gain or loss resulting from fair value adjustments on cash flow hedges are recorded in AOCI on our Consolidated Balance Sheets until the hedged item is recognized in earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The gains and losses on the net investment hedges are recorded as cumulative translation adjustments in AOCI to the extent that the instruments are effective in hedging the designated risk. Gains and losses on cash flow hedges and net investment hedges representing hedge components excluded from the assessment of effectiveness will be amortized into Interest expense on our Consolidated Statements of Income in a systematic manner. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings and are recorded in Foreign currency loss on our Consolidated Statements of Income.

Defined Benefit Pension Plans

We calculate defined benefit pension plan obligations using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets represent our best estimates based on available information regarding historical experience and factors that may cause future expectations to differ. Our obligation and future expense amounts could be materially impacted by differences in actual experience or changes in assumptions.

The impact of plan amendments, actuarial gains and losses and prior-service costs are recorded in AOCI and are generally amortized as a component of net periodic benefit cost over the remaining service period of the active employees covered by the defined benefit pension plans. Unamortized gains and losses are amortized only to the extent they exceed 10% of the higher of the fair value of plan assets or the projected benefit obligation of the respective plan.

Stock-Based Compensation

We account for stock-based compensation based on the equity instrument’s grant date fair value. For grants of restricted stock units (“RSUs”) subject to service-based or performance-based vesting conditions only, we establish the fair value based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, we establish the fair value using the Monte Carlo simulation lattice model. We determined the fair value

of our stock-based awards based on our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We account for forfeitures as they occur.

We recognize the grant date fair value of equity awards as compensation cost over the requisite service period. We recognize expense for our performance-based restricted stock units (“PRSUs”) over the awards’ requisite service period based on the number of awards expected to vest with consideration to the actual and expected financial results. We do not recognize expense until achievement of the performance targets for a PRSU award is considered probable.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases. The core principle of ASU 2016-02 is that a lessee should recognize on its Consolidated Balance Sheets the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee recognizes on the balance sheet the right-of-use asset representing the right to use the underlying asset and the lease liability representing the present value of future lease payments.

We utilized a comprehensive approach to assess the impact of ASU 2016-02 on our financial statements and related disclosures. In particular, we completed a robust review of our lease portfolio and enhanced our internal controls, including those related to the identification, monitoring of, measurement and disclosure of our lease portfolio. We also implemented a new software solution to facilitate compliance with the new guidance. As discussed further in Note 8—Leases, we adopted ASU 2016-02 and its related amendments (Topic 842) on January 1, 2019.

Accounting Pronouncements Issued but Not Yet Effective

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” as modified by subsequently issued ASUs. The ASU amends the current incurred losses impairment method with a method that reflects expected credit losses on certain types of financial instruments, including trade receivables. On adoption, we will record an immaterial adjustment to total equity as of January 1, 2020 for the cumulative impact of adoption.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Under the guidance, any capitalized implementation costs would be included in prepaid expenses, amortized over the term of the hosting arrangement on a straight-line basis and presented in the same line items in the Consolidated Statement of Income as the expense for fees of the associated hosting arrangements. We adopted this standard on January 1, 2020 on a prospective basis and do not expect it to have a material effect on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): “Simplifying the Accounting for Income Taxes.” The ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The ASU also clarifies and amends existing guidance to improve consistent application among reporting entities. This ASU is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period; however, early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

3. Purchase of Noncontrolling Interest

In November 2019, we purchased a shareholder’s noncontrolling interest in XPO Logistics Europe for €234 million (approximately \$258 million). Our purchase reduced Noncontrolling interests and Additional paid-in capital by \$255 million and \$3 million, respectively.

4. Segment Reporting and Geographic Information

We are organized into two reportable segments: Transportation and Logistics. We evaluate our performance in large part based on the various financial measures of our two reporting segments.

In our Transportation segment, we provide multiple services to facilitate the movement of raw materials, parts and finished goods. We accomplish this by using our proprietary technology, third-party independent carriers and our transportation assets and service centers. Our transportation services include truck brokerage, expedite, intermodal, drayage, last mile, less-than-truckload (“LTL”), full truckload, global forwarding and managed transportation. Freight brokerage, last mile, global forwarding and managed transportation are non-asset or asset-light businesses while LTL and full truckload are primarily asset-based operations.

In our Logistics segment, which we also refer to as supply chain or contract logistics, we provide a wide range of services differentiated by our proprietary technology and our ability to customize solutions for individual customers. Our services include value-added warehousing, distribution and inventory management, omnichannel and e-commerce fulfillment, reverse logistics, cold chain solutions, packaging and labeling, factory support, aftermarket support and order personalization services. In addition, our Logistics segment provides highly engineered solutions and supply chain optimization services, including advanced automation and predictive volume flow management.

Some of our operating units provide services to our other operating units outside of their reportable segment. Billings for such services are based on negotiated rates and are reflected as revenues of the billing segment. We adjust these rates from time to time based on market conditions. We eliminate intersegment revenues and expenses in our consolidated results.

Corporate includes corporate headquarters costs for executive officers and certain legal and financial functions, and other costs and credits not attributed to our core business.

Our chief operating decision maker (“CODM”) regularly reviews financial information at the reporting segment level to allocate resources to the segments and to assess their performance. We include items directly attributable to a segment, and those that can be allocated on a reasonable basis, in segment results reported to the CODM. We do not provide asset information by segment to the CODM, as the majority of our assets are managed at the corporate level.

Selected financial data for our segments is as follows:

<i>(In millions)</i>	Transportation	Logistics	Corporate	Eliminations	Total
Year Ended December 31, 2019					
Revenue	\$ 10,687	\$ 6,093	\$ —	\$ (132)	\$ 16,648
Operating income (loss)	752	241	(172)	—	821
Depreciation and amortization	447	277	15	—	739
Year Ended December 31, 2018					
Revenue	\$ 11,343	\$ 6,065	\$ —	\$ (129)	\$ 17,279
Operating income (loss)	646	216	(158)	—	704
Depreciation and amortization	461	244	11	—	716
Year Ended December 31, 2017					
Revenue	\$ 10,276	\$ 5,229	\$ —	\$ (124)	\$ 15,381
Operating income (loss)	547	202	(167)	—	582
Depreciation and amortization	447	203	8	—	658

As of December 31, 2019 and 2018, we held long-lived tangible assets outside of the U.S. of \$798 million and \$776 million, respectively.

5. Revenue Recognition

Adoption of Topic 606, “Revenue from Contracts with Customers”

We adopted ASU 2014-09, Revenue (Topic 606): “Revenue from Contracts with Customers.” on January 1, 2018. Our reported results for 2019 and 2018 are presented under Topic 606, while our prior periods were not adjusted and are reported under Topic 605 “Revenue Recognition.” Under Topic 605, for our Transportation segment, with the

exception of the LTL business, revenue was recognized at the point in time when delivery was complete and the shipping terms of the contract were satisfied.

Disaggregation of Revenues

We disaggregate our revenue by geographic area and service offering. Our revenue disaggregated by geographical area, based on sales office location, was as follows:

<i>(In millions)</i>	Year Ended December 31, 2019			
	Transportation	Logistics	Eliminations	Total
Revenue				
United States	\$ 7,454	\$ 2,338	\$ (33)	\$ 9,759
North America (excluding United States)	286	37	—	323
France	1,358	659	(12)	2,005
United Kingdom	760	1,384	(68)	2,076
Europe (excluding France and United Kingdom)	810	1,582	(16)	2,376
Other	19	93	(3)	109
Total	<u>\$ 10,687</u>	<u>\$ 6,093</u>	<u>\$ (132)</u>	<u>\$ 16,648</u>

<i>(In millions)</i>	Year Ended December 31, 2018			
	Transportation	Logistics	Eliminations	Total
Revenue				
United States	\$ 8,055	\$ 2,196	\$ (19)	\$ 10,232
North America (excluding United States)	274	67	—	341
France	1,496	687	(18)	2,165
United Kingdom	704	1,436	(70)	2,070
Europe (excluding France and United Kingdom)	793	1,584	(18)	2,359
Other	21	95	(4)	112
Total	<u>\$ 11,343</u>	<u>\$ 6,065</u>	<u>\$ (129)</u>	<u>\$ 17,279</u>

<i>(In millions)</i>	Year Ended December 31, 2017
	Revenue
United States	\$ 9,163
North America (excluding United States)	298
France	2,006
United Kingdom	1,799
Europe (excluding France and United Kingdom)	1,930
Other	185
Total	<u>\$ 15,381</u>

Our revenue disaggregated by service offering was as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2019	2018
Transportation segment:		
Freight brokerage and truckload	\$ 4,383	\$ 4,784
LTL	4,815	4,839
Last mile ⁽¹⁾	873	1,065
Managed transportation	496	462
Global forwarding	299	338
Transportation eliminations	(179)	(145)
Total Transportation segment revenue	10,687	11,343
Total Logistics segment revenue	6,093	6,065
Intersegment eliminations	(132)	(129)
Total revenue	\$ 16,648	\$ 17,279

(1) Comprised of our North American last mile operations.

Transaction Price Allocated to Remaining Performance Obligation

Our remaining performance obligation represents the aggregate amount of transaction price yet to be recognized as of the end of the reporting period. As permitted in determining the remaining performance obligation, we omit obligations that: (i) have original expected durations of one year or less or (ii) contain variable consideration. On December 31, 2019, the fixed consideration component of our remaining performance obligation was approximately \$1.5 billion, and we expect to recognize approximately 75% over the next three years and the remainder thereafter. The majority of the remaining performance obligation relates to our Logistics reportable segment. We estimate remaining performance obligations at a point in time and actual amounts may differ from these estimates due to changes in foreign currency exchange rates and contract revisions or terminations.

6. Restructuring Charges

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure. These actions may include severance and facility-related costs and are intended to improve our efficiency and profitability. Additionally, a portion of the restructuring charge recorded in 2019 is related to our largest customer downsizing its business with us.

Restructuring charges were recorded on our Consolidated Statements of Income as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2019	2018
Cost of transportation and services	\$ 2	\$ —
Direct operating expense	1	1
SG&A	46	20
Total	\$ 49	\$ 21

We recognized \$21 million and \$19 million of restructuring charges in the fourth quarter of 2019 and 2018, respectively. Restructuring charges for the year ended December 31, 2017 were \$34 million, the majority of which was included in Sales, general and administrative expense (“SG&A”).

Our restructuring-related activity was as follows:

<i>(In millions)</i>	Year Ended December 31, 2019				
	Reserve Balance as of December 31, 2018	Charges Incurred	Payments	Foreign Exchange and Other	Reserve Balance as of December 31, 2019
Severance:					
Transportation	\$ 9	\$ 30	\$ (26)	\$ (1)	\$ 12
Logistics	5	14	(8)	—	11
Corporate	2	3	(3)	—	2
Total Severance	16	47	(37)	(1)	25
Facilities:					
Transportation	—	2	(2)	—	—
Total	\$ 16	\$ 49	\$ (39)	\$ (1)	\$ 25

We expect the majority of the cash outlays under the 2019 approved plans will be substantially complete by the end of 2020.

<i>(In millions)</i>	Year Ended December 31, 2018		Reserve Balance as of December 31, 2018
	Charges Incurred	Payments	
Severance:			
Transportation	\$ 12	\$ (3)	\$ 9
Logistics	6	(1)	5
Corporate	3	(1)	2
Total	\$ 21	\$ (5)	\$ 16

The majority of the cash outlays under the 2018 approved plan were substantially complete by the end of 2019.

7. Property and Equipment

<i>(In millions)</i>	December 31,	
	2019	2018
Property and equipment		
Land	\$ 334	\$ 356
Buildings and leasehold improvements	648	555
Vehicles, tractors, trailers and tankers	1,726	1,561
Machinery and equipment	949	809
Computer software and equipment	1,101	909
	<u>4,758</u>	<u>4,190</u>
Less: accumulated depreciation and amortization	(2,054)	(1,585)
Total property and equipment, net	\$ 2,704	\$ 2,605
Net book value of capitalized internally-developed software included in property and equipment, net	\$ 333	\$ 263

Depreciation of property and equipment and amortization of computer software was \$577 million, \$546 million and \$488 million for the years ended December 31, 2019, 2018 and 2017, respectively.

8. Leases

Adoption of Topic 842, "Leases"

On January 1, 2019, we adopted Topic 842 prospectively through a cumulative-effect adjustment with no restatement of prior period financial statements. On adoption, we elected the package of practical expedients to retain the lease identification, classification and initial direct costs for existing leases. We recognized \$2.1 billion of Operating lease assets and liabilities on the Consolidated Balance Sheet as of January 1, 2019 in connection with the adoption of this new standard. Additionally, beginning in 2019, net operating lease activity, including the reduction of the operating lease asset and the accretion of the operating lease liability, are reflected in Depreciation, amortization and net lease activity on our Consolidated Statements of Cash Flows. The adoption of Topic 842 did not have a material impact on our Consolidated Statements of Income and our Consolidated Statements of Cash Flows.

Nature of Leases

Most of our leases are real estate leases. In addition, we lease trucks, trailers, containers and material handling equipment.

The components of our lease expense and gain realized on sale-leaseback transactions were as follows:

<i>(In millions)</i>	Year Ended December 31, 2019
Operating lease cost	\$ 696
Short-term lease cost	144
Variable lease cost	90
Total operating lease cost	\$ 930
Finance lease cost:	
Amortization of leased assets	\$ 53
Interest on lease liabilities	7
Total finance lease cost	\$ 60
Total lease cost	\$ 990
Gain recognized on sale-leaseback transactions ⁽¹⁾	\$ 99

- (1) For the year ended December 31, 2019, we completed multiple sale-leaseback transactions for land and buildings, including a sale and partial leaseback of our shared-services center in Portland, Oregon and received aggregate cash proceeds of \$203 million. Gains on sale-leaseback transactions are included in Direct operating expense in our Consolidated Statements of Income.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	December 31, 2019
Operating leases:	
Operating lease assets	\$ 2,245
Short-term operating lease liabilities	468
Operating lease liabilities	1,776
Total operating lease liabilities	<u>\$ 2,244</u>
Finance leases:	
Property and equipment, gross	\$ 483
Accumulated depreciation	(125)
Property and equipment, net	<u>\$ 358</u>
Short-term borrowings and current maturities of long-term debt	58
Long-term debt	288
Total finance lease liabilities	<u>\$ 346</u>
Weighted-average remaining lease term	
Operating leases	7 years
Finance leases	7 years
Weighted-average discount rate	
Operating leases	5.16%
Finance leases	2.69%

Assets represented by capital leases, net of accumulated depreciation, were \$296 million as of December 31, 2018.

Supplemental cash flow information related to leases was as follows:

<i>(In millions)</i>	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 704
Operating cash flows for finance leases	7
Financing cash flows for finance leases	62
Leased assets obtained in exchange for new lease obligations:	
Operating leases	823
Finance leases	103

Property and equipment acquired through capital leases was \$111 million and \$145 million for the years ended December 31, 2018 and 2017, respectively. Additionally, non-cash investing activities for the year ended December 31, 2019 include \$39 million of property and equipment additions for build-to-suit leases.

Maturities of lease liabilities as of December 31, 2019 were as follows:

<i>(In millions)</i>	Finance Leases	Operating Leases
2020	\$ 71	\$ 553
2021	67	503
2022	64	405
2023	70	316
2024	49	226
Thereafter	82	662
Total lease payments	<u>\$ 403</u>	<u>\$ 2,665</u>
Less: interest	<u>(57)</u>	<u>(421)</u>
Present value of lease liabilities	<u>\$ 346</u>	<u>\$ 2,244</u>

As of December 31, 2019, we had additional operating leases that have not yet commenced with future undiscounted lease payments of \$176 million. These operating leases will commence in fiscal year 2020 through fiscal year 2035 with initial lease terms of 4 years to 15 years.

Disclosures Related to Topic 840

The following information is required disclosure for companies adopting the lease standard prospectively without revising comparative prior period information.

Future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018 were as follows:

<i>(In millions)</i>	Capital Leases	Operating Leases
Year ending December 31:		
2019	\$ 61	\$ 577
2020	60	460
2021	55	367
2022	52	288
2023	43	221
Thereafter	39	523
Total minimum lease payments	<u>\$ 310</u>	<u>\$ 2,436</u>
Amount representing interest	<u>(21)</u>	
Present value of minimum lease payments	<u>\$ 289</u>	

Rent expense was \$820 million and \$716 million for the years ended December 31, 2018 and 2017, respectively.

9. Goodwill

<i>(In millions)</i>	Transportation	Logistics	Total
Goodwill as of December 31, 2017	\$ 2,527	\$ 2,037	\$ 4,564
Impact of foreign exchange translation	(7)	(90)	(97)
Goodwill as of December 31, 2018	<u>2,520</u>	<u>1,947</u>	<u>4,467</u>
Impact of foreign exchange translation and other	(46)	29	(17)
Goodwill as of December 31, 2019	<u>\$ 2,474</u>	<u>\$ 1,976</u>	<u>\$ 4,450</u>

There are no cumulative goodwill impairments as of December 31, 2019.

10. Intangible Assets

<i>(In millions)</i>	December 31, 2019		December 31, 2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangibles				
Customer relationships	\$ 1,875	\$ 784	\$ 1,891	\$ 640
Trade name	51	51	52	52
Non-compete agreements	16	15	16	14
	<u>\$ 1,942</u>	<u>\$ 850</u>	<u>\$ 1,959</u>	<u>\$ 706</u>

We recorded a non-cash, pre-tax charge of \$6 million in 2019 related to the impairment of customer relationships intangibles associated with exiting our direct postal injection business. For 2018 and 2017, we did not recognize any impairment of our identified intangible assets.

Estimated future amortization expense for amortizable intangible assets for the next five years is as follows:

<i>(In millions)</i>	2020	2021	2022	2023	2024	Thereafter
Estimated amortization expense	\$ 145	\$ 137	\$ 127	\$ 110	\$ 106	\$ 467

Actual amounts of amortization expense may differ from estimated amounts due to changes in foreign currency exchange rates, additional intangible asset acquisitions, future impairment of intangible assets, accelerated amortization of intangible assets and other events.

Intangible asset amortization expense recorded in SG&A was \$156 million, \$159 million and \$164 million for the years ended December 31, 2019, 2018 and 2017, respectively.

11. Derivative Instruments

In the normal course of business, we are exposed to risks arising from business operations and economic factors, including fluctuations in interest rates and foreign currencies. We use derivative instruments to manage the volatility related to these exposures. The objective of these derivative instruments is to reduce fluctuations in our earnings and cash flows associated with changes in foreign currency exchange rates and interest rates. These financial instruments are not used for trading or other speculative purposes. Historically, we have not incurred, and do not expect to incur in the future, any losses as a result of counterparty default.

The fair value of our derivative instruments and the related notional amounts were as follows:

<i>(In millions)</i>	December 31, 2019				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges:					
Cross-currency swap agreements	\$ 1,233	Other long-term assets	\$ —	Other long-term liabilities	\$ (18)
Interest rate swap	2,003	Other current assets	—	Other current liabilities	(7)
Derivatives not designated as hedges:					
Foreign currency option contracts	365	Other current assets	1	Other current liabilities	—
Total			<u>\$ 1</u>		<u>\$ (25)</u>

<i>(In millions)</i>	December 31, 2018				
	Notional Amount	Derivative Assets		Derivative Liabilities	
		Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Derivatives designated as hedges:					
Cross-currency swap agreements	\$ 1,270	Other long-term assets	\$ —	Other long-term liabilities	\$ (81)
Derivatives not designated as hedges:					
Foreign currency option contracts	473	Other current assets	7	Other current liabilities	—
Total			\$ 7		\$ (81)

The derivatives are classified as Level 2 within the fair value hierarchy. The derivatives are valued using inputs other than quoted prices such as foreign exchange rates and yield curves.

The effect of derivative and nonderivative instruments designated as hedges on our Consolidated Statements of Income were as follows:

<i>(In millions)</i>	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative			Amount of Gain (Loss) Reclassified from AOCI into Net Income			Amount of Gain Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing)		
	Years Ended December 31,								
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Derivatives designated as cash flow hedges:									
Cross-currency swap agreements	\$ 7	\$ 13	\$ (21)	\$ 5	\$ 17	\$ (3)	\$ 1	\$ 1	\$ —
Interest rate swaps	5	—	2	—	—	—	—	—	—
Derivatives designated as net investment hedges:									
Cross-currency swap agreements	55	52	(100)	—	—	—	10	4	8
Nonderivatives designated as hedges:									
Foreign currency denominated notes	—	—	8	—	—	—	—	—	—
Total	\$ 67	\$ 65	\$ (111)	\$ 5	\$ 17	\$ (3)	\$ 11	\$ 5	\$ 8

The pre-tax gain (loss) recognized in earnings for foreign currency option and forward contracts not designated as hedging instruments was a loss of \$9 million and a gain of \$4 million and a loss of \$64 million for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are recorded in Foreign currency loss on our Consolidated Statements of Income.

Cross-Currency Swap Agreements

We enter into cross-currency swap agreements to manage the foreign currency exchange risk related to our international operations by effectively converting our fixed-rate USD-denominated debt, including the associated interest payments, to fixed-rate, euro (“EUR”)—denominated debt. The risk management objective of these transactions is to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and reduce the variability in the functional currency equivalent cash flows of this debt.

During the term of the swap contracts, we will receive interest, either on a quarterly or semi-annually basis, from the counterparties based on USD fixed interest rates, and we will pay interest, also on a quarterly or semi-annual basis, to the counterparties based on EUR fixed interest rates. At maturity, we will repay the original principal amount in EUR and receive the principal amount in USD. These agreements expire at various dates through 2024.

We designated these cross-currency swaps as qualifying hedging instruments and account for them as net investment hedges. We apply the simplified method of assessing the effectiveness of our net investment hedging relationships. Under this method, for each reporting period, the change in the fair value of the cross-currency swaps is initially recognized in AOCI. The change in the fair value due to foreign exchange remains in AOCI and the initial component excluded from effectiveness testing will initially remain in AOCI and then will be reclassified from

AOCI to Interest expense each period in a systematic manner. For net investment hedges that were de-designated prior to their maturity, the amounts in AOCI will remain in AOCI until the subsidiary is sold or substantially liquidated. Cash flows related to the periodic exchange of interest payments for these net investment hedges are included in Operating activities on our Consolidated Statements of Cash Flows.

We also enter into cross-currency swap agreements to manage the related foreign currency exposure from intercompany loans. We designated these cross-currency swaps as qualifying hedging instruments and account for them as cash flow hedges. Gains and losses resulting from the change in the fair value of the cross-currency swaps is initially recognized in AOCI and reclassified to Foreign currency loss to offset the foreign exchange impact in earnings created by the intercompany loans. Cash flows related to these cash flow hedges are included in Operating activities on our Consolidated Statements of Cash Flows.

Interest Rate Hedging

We execute short-term interest rate swaps to mitigate variability in forecasted interest payments on our Senior Secured Term Loan Credit Agreement (the “Term Loan Credit Agreement”). The interest rate swaps convert floating-rate interest payments into fixed rate interest payments. We designated the interest rate swaps as qualifying hedging instruments and account for these derivatives as cash flow hedges. The interest rate swaps mature on various dates through 2020.

We record gains and losses resulting from fair value adjustments to the designated portion of interest rate swaps in AOCI and reclassify them to Interest expense on the dates that interest payments accrue. Cash flows related to the interest rate swaps are included in Operating activities on our Consolidated Statements of Cash Flows.

Foreign Currency Option and Forward Contracts

We use foreign currency option contracts to mitigate the risk of a reduction in the value of earnings from our operations that use the EUR or the British pound sterling (“GBP”) as their functional currency. Additionally, we use foreign currency forward contracts to mitigate exposure from intercompany loans that are not designated as permanent and can create volatility in earnings. The foreign currency contracts (both option and forward contracts) were not designated as qualifying hedging instruments as of December 31, 2019 or 2018. The contracts are used to manage our exposure to foreign currency exchange rate fluctuations and are not speculative. The contracts generally expire in 12 months or less. Gains or losses on the contracts are recorded in Foreign currency loss on our Consolidated Statements of Income. Commencing in 2018, cash flows related to the foreign currency contracts are included in Investing activities on our Consolidated Statements of Cash Flows, consistent with the nature and purpose for which these derivatives were acquired. Prior to 2018, these cash flows were reflected within Operating activities.

12. Debt

<i>(In millions)</i>	December 31, 2019		December 31, 2018	
	Principal Balance	Carrying Value	Principal Balance	Carrying Value
ABL facility	\$ —	\$ —	\$ —	\$ —
Term loan facility	2,003	1,969	1,503	1,474
6.125% Senior Notes due 2023	535	530	535	529
6.50% Senior Notes due 2022	1,200	1,192	1,200	1,190
6.70% Senior Debentures due 2034	300	208	300	205
6.75% Senior notes due 2024	1,000	987	—	—
Trade securitization program	—	—	283	281
Unsecured credit facility	—	—	250	246
Finance leases, asset financing and other	380	380	344	344
Total debt	5,418	5,266	4,415	4,269
Short-term borrowings and current maturities of long-term debt	84	84	371	367
Long-term debt	\$ 5,334	\$ 5,182	\$ 4,044	\$ 3,902

The fair value of our debt and classification in the fair value hierarchy was as follows:

<i>(In millions)</i>	Fair Value	Level 1	Level 2
December 31, 2019	\$ 5,580	\$ 3,190	\$ 2,390
December 31, 2018	4,305	2,020	2,285

We valued Level 1 debt using quoted prices in active markets. We valued Level 2 debt using bid evaluation pricing models or quoted prices of securities with similar characteristics. The fair value of the asset financing arrangements approximates carrying value as the debt is primarily issued at a floating rate, the debt may be prepaid at any time at par without penalty, and the remaining life of the debt is short-term in nature.

Our principal payment obligations on debt (excluding finance leases) for the next five years and thereafter was as follows:

<i>(In millions)</i>	2020	2021	2022	2023	2024	Thereafter
Principal payments on debt	\$ 26	\$ 3	\$ 1,201	\$ 536	\$ 1,001	\$ 2,305

ABL Facility

In 2015, we entered into a revolving loan credit agreement (the “ABL Facility”) that provided commitments of up to \$1.0 billion with a maturity date of October 30, 2020. In April 2019, we amended the ABL Facility including: (i) increasing the commitments to \$1.1 billion, (ii) extending the maturity date to April 30, 2024, subject to springing maturity if some of our senior notes reach specified levels set in the credit agreement and (iii) reducing the interest rate margin. We can issue up to \$350 million of letters of credit and up to \$50 million for swing line loans under the ABL Facility.

Our availability under the ABL Facility is equal to the borrowing base less advances and outstanding letters of credit. Our borrowing base includes a fixed percentage of: (i) our eligible U.S. and Canadian accounts receivable; plus (ii) any of our eligible U.S. and Canadian rolling stock and equipment. A maximum of 20% of our borrowing base can be equipment and rolling stock in the aggregate. As of December 31, 2019, our borrowing base was \$927 million and our availability was \$713 million, after considering outstanding letters of credit of \$214 million. As of December 31, 2019, we were in compliance with the ABL Facility’s financial covenants.

Our loans under the ABL Facility bear interest at a rate equal to: (i) London Interbank Offered Rate (“LIBOR”) or base rate plus an applicable margin of 1.25% to 1.50%, for LIBOR loans, and (ii) 0.25% to 0.50%, for base rate loans. As of December 31, 2018, the interest rate margins were 1.50% to 2.00% for LIBOR loans and 0.50% to 1.00% for base rate loans.

The ABL Facility is secured on a first lien basis by the assets of the credit parties as priority collateral and on a second lien basis by certain other assets. The priority collateral consists primarily of our U.S. and Canadian accounts receivable and any of our U.S. and Canadian rolling stock and equipment included in our borrowing base. The ABL Facility contains representations and warranties, affirmative and negative covenants and events of default customary for agreements of this nature.

The covenants in the ABL Facility can limit our ability to: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make certain investments and restricted payments; and enter into certain transactions with affiliates. We may also be required to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) of not less than 1.00 if availability under the ABL Facility is below certain thresholds. As of December 31, 2019, we were compliant with this financial covenant.

Term Loan Facility

In 2015, we entered into a Term Loan Credit Agreement that provided for a single borrowing of \$1.6 billion. The Term Loan Credit Agreement was issued at an original issue discount of \$32 million. We have amended the Term Loan Credit Agreement to include the execution of a new tranche of loans in 2019, to reduce the interest rates and to extend the maturity dates. As of December 31, the applicable terms of the Term Loan Credit Agreement, as amended, were as follows:

<i>(In millions)</i>	2019	2018
Commitment:		
Facility	\$ 1,503	\$ 1,503
Incremental loans	500	N/A
Interest rate:		
Facility		
Base rate loans	1.00%	1.00%
LIBOR loans	2.00%	2.00%
Incremental loans		
Base rate loans	1.50%	N/A
LIBOR loans	2.50%	N/A
Maturity date	February 23, 2025	February 23, 2025

Proceeds from the new tranche of loans were used for general corporate purposes, including funding purchases of our common stock as described in Note 14—Stockholders’ Equity. The interest rates on the term loans and incremental term loans were 3.80% and 4.24%, respectively, as of December 31, 2019.

In February 2018, we refinanced our term loans by replacing the outstanding \$1,494 million principal amount of term loans (the “Current Term Loans”) with \$1,503 million in aggregate principal amount of new term loans (the “Present Term Loans”). Our Present Term Loans have substantially similar terms as our Current Term Loans, except for the interest rate and maturity date, prepayment premiums and some other amendments to the restrictive covenants. We used the proceeds from the Present Term Loans to refinance the Current Term Loans and to pay interest, fees and expenses in connection with this refinancing. We recorded a debt extinguishment loss of \$10 million in 2018 due to this refinancing.

In March 2017, we refinanced our term loans by replacing the outstanding \$1,482 million principal amount of term loans (the “Existing Term Loans”) with \$1,494 million in aggregate principal amount of Current Term Loans. Our Current Term Loans have substantially similar terms as our Existing Term Loans, other than the interest rate and prepayment premiums. We used the proceeds from the Current Term Loans primarily to refinance the Existing Term

Loans and to pay interest, fees and expenses in connection with this refinancing. We recorded a debt extinguishment loss of \$8 million in 2017 due to this refinancing.

We must prepay an aggregate principal amount of the term loan facility equal to (a) 50% of any Excess Cash Flow, as defined in the agreement, for the most recent fiscal year ended, minus (b) the sum of (i) all voluntary prepayments of loans during the fiscal year and (ii) all voluntary prepayments of loans under the ABL Facility or any other revolving credit facilities during the fiscal year if accompanied by a corresponding permanent reduction in the commitments under the credit agreement or any other revolving credit facilities in the case of each of the immediately preceding clauses (i) and (ii), if such prepayments are funded with internally generated cash flow, as defined in the agreement. If our Consolidated Secured Net Leverage Ratio, as defined in the agreement, for the fiscal year was less than or equal to 3.00:1.00 and greater than 2.50:1.00, the Excess Cash Flow percentage will be 25%. If our Consolidated Secured Net Leverage Ratio for the fiscal year was less than or equal to 2.50:1.00, the Excess Cash Flow percentage will be 0%. The remaining principal is due at maturity. As of December 31, 2019, our Consolidated Secured Net Leverage Ratio was less than 2.50:1.00; and no excess cash payment was required.

Senior Notes

In February 2019, we completed our private placement of \$1.0 billion aggregate principal amount of senior notes (“Senior Notes due 2024”). We used the proceeds from the Senior Notes due 2024 to repay our outstanding obligation under the Unsecured Credit Facility described below and to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity.

In July 2018, we redeemed \$400 million of the then \$1.6 billion outstanding senior notes due June 2022 (the “Senior Notes due 2022”) that were originally issued in 2015. The redemption price for the Senior Notes due 2022 was 103.25% of the principal amount, plus accrued and unpaid interest. We paid for the redemption primarily with funds from the settlement of our forward sale agreements, described in Note 14—Stockholders’ Equity. We recorded a debt extinguishment loss of \$17 million in 2018 due to this redemption.

In December 2017, we redeemed our outstanding senior notes due June 2021 (the “Senior Notes due 2021”) that were originally issued in 2015. The redemption price for the Senior Notes due 2021 was 102.875% of the principal amount, plus accrued and unpaid interest. We paid for the redemption with cash on hand. We recorded a debt extinguishment loss of \$23 million in 2017 due to this redemption.

In August 2017, we redeemed our outstanding 7.25% senior notes due 2018 (“Senior Notes due 2018”), that had been assumed in connection with our 2015 acquisition of Con-way Inc. (“Con-way”). The redemption price for the Senior Notes due 2018 was 102.168% of the principal amount, plus accrued and unpaid interest. We paid for the redemption with cash on hand. We recorded a debt extinguishment loss of \$5 million in 2017 due to this redemption.

The senior notes bear interest payable semiannually, in cash in arrears. The Senior Notes due 2024 mature on August 15, 2024, the senior notes due September 2023 mature on September 1, 2023 and the Senior Notes due 2022 mature on June 15, 2022.

The senior notes are guaranteed by each of our direct and indirect wholly-owned restricted subsidiaries (other than some excluded subsidiaries) that are obligors under, or guarantee obligations under, our ABL Facility (or certain of its replacements) or guarantee certain of our capital markets indebtedness or any guarantor of the senior notes. The senior notes and its guarantees are unsecured, unsubordinated indebtedness for us and our guarantors. The senior notes contain covenants customary for notes of this nature.

Senior Debentures

We assumed Con-way’s 6.70% Senior Debentures due 2034 (the “Senior Debentures”) with an aggregate principal amount of \$300 million when we acquired Con-way. The Senior Debentures bear interest payable semiannually, in cash in arrears, and mature on May 1, 2034. Including amortization of the fair value adjustment recorded on the acquisition date, interest expense on the Senior Debentures is recognized at an annual effective interest rate of 10.96%.

Convertible Senior Notes

We issued approximately three million shares of our common stock to some holders of our convertible senior notes as part of their conversion in 2017. The conversions were allocated to long-term debt and equity in the amounts of \$49 million and \$50 million, respectively. Some of these transactions represented induced conversions and we paid the holder a market-based premium in cash. Interest expense reflected the negotiated market-based premiums in addition to the difference between the current fair value and the book value of the convertible senior notes.

Trade Securitization Program

In 2017, XPO Logistics Europe entered into a European trade receivables securitization program for a term of three years. Under the terms of this program, XPO Logistics Europe, or one of its wholly-owned subsidiaries in the United Kingdom or France, sold trade receivables to XPO Collections Designated Activity Company Limited (“XCDAL”), a wholly-owned bankruptcy remote special purpose entity of XPO Logistics Europe. The receivables were funded by senior variable funding notes in the same currency as the corresponding receivables. XCDAL was considered a variable interest entity and was consolidated by XPO Logistics Europe based on its control of the entity’s activities. The receivables balance under this program were reported as Accounts receivable on our Consolidated Balance Sheets and the related notes were included in our Long-term debt.

In July 2019, XPO Logistics Europe terminated this trade receivables securitization program and entered into a new trade receivables securitization program for a term of three years. In connection with the termination of the prior program, XPO Logistics Europe paid off all of the notes which had been included in our debt balances. Under the new program, all receivable transfers have been accounted for as sales. For additional information, see Note 2—Basis of Presentation and Significant Accounting Policies.

Unsecured Credit Facility

In December 2018, we entered into a \$500 million unsecured credit facility (“Unsecured Credit Facility”). As of December 31, 2018, we had borrowed \$250 million. We borrowed an additional \$250 million in January 2019. We used the proceeds of both borrowings to finance a portion of our share repurchases described in Note 14—Stockholders’ Equity. In connection with the issuance of the Senior Notes due 2024 described above, we repaid our outstanding obligations under the Unsecured Credit Facility and terminated it in February 2019. We recorded a debt extinguishment loss of \$5 million in 2019 in connection with this repayment.

Asset Financing

We use unsecured asset financing arrangements to purchase trucks in Europe. These financing arrangements are denominated in EUR, generally with floating interest rates. As of December 31, 2019, interest rates on asset financing range from 0.85% to 1.22%, with a weighted average interest rate of 1.06%, and initial terms range from five years to 10 years.

13. Employee Benefit Plans

Defined Benefit Pension Plans

We sponsor both funded and unfunded defined benefit pension plans for some employees in the United States. These pension plans include qualified plans that are eligible for beneficial treatment under the Internal Revenue Code and non-qualified plans that provide additional benefits for employees who are impacted by limitations on compensation eligible for benefits available under the qualified plans. We also sponsor a separate defined benefit pension plan for some employees in the United Kingdom. Both the U.S. plans and the U.K. plan do not allow for new plan participants or additional benefit accruals. We also maintain defined benefit pension plans for some of our foreign subsidiaries that are excluded from the disclosures below due to their immateriality.

We measure defined benefit pension plan obligations based on the present value of projected future benefit payments for all participants for services rendered to date. The projected benefit obligation is a measure of benefits attributed to service to date, assuming that the plan continues in effect and that estimated future events (including turnover and mortality) occur. We determine the net periodic benefit costs using assumptions regarding the projected benefit obligation and the fair value of plan assets as of the beginning of the year. Net periodic benefit costs are recorded in

Other expense (income) on our Consolidated Statements of Income. We calculate the funded status of the defined benefit pension plans, which represents the difference between the projected benefit obligation and the fair value of plan assets, on a plan-by-plan basis.

Funded Status of Defined Benefit Pension Plans

The reconciliation of the changes in the plans' projected benefit obligations as of December 31 was as follows:

<i>(In millions)</i>	U.S. Plans		U.K. Plan	
	2019	2018	2019	2018
Projected benefit obligation at beginning of year	\$ 1,659	\$ 1,821	\$ 1,164	\$ 1,305
Interest cost	66	59	29	28
Plan amendment	—	—	—	19
Actuarial loss (gain)	214	(147)	136	(62)
Benefits paid	(77)	(74)	(56)	(56)
Foreign currency exchange rate changes	—	—	50	(70)
Projected benefit obligation at end of year ⁽¹⁾	<u>\$ 1,862</u>	<u>\$ 1,659</u>	<u>\$ 1,323</u>	<u>\$ 1,164</u>

(1) As of December 31, 2019, the accumulated benefit obligations for the U.K. Plan was equal to the projected benefit obligations. As of December 31, 2018, the accumulated benefit obligations for the U.S. and U.K. plans were equal to the projected benefit obligations.

Actuarial losses were a result of assumption changes, including a decrease in the discount rate, updated mortality projection scales for plan participants and a decrease in assumed inflation for the U.K. plan.

The reconciliation of the changes in the fair value of plan assets as of December 31 was as follows:

<i>(In millions)</i>	U.S. Plans		U.K. Plan	
	2019	2018	2019	2018
Fair value of plan assets at beginning of year	\$ 1,582	\$ 1,764	\$ 1,227	\$ 1,390
Actual return on plan assets	353	(113)	138	(35)
Employer contributions	5	5	2	3
Benefits paid	(77)	(74)	(56)	(56)
Foreign currency exchange rate changes	—	—	51	(75)
Fair value of plan assets at end of year	<u>\$ 1,863</u>	<u>\$ 1,582</u>	<u>\$ 1,362</u>	<u>\$ 1,227</u>

The funded status of the plans as of December 31 was as follows:

<i>(In millions)</i>	U.S. Plans		U.K. Plan	
	2019	2018	2019	2018
Funded status at end of year	\$ 1	\$ (77)	\$ 39	\$ 63
Amount recognized in balance sheet:				
Long-term assets	\$ 76	\$ —	\$ 39	\$ 63
Current liabilities	(6)	(5)	—	—
Long-term liabilities	(69)	(72)	—	—
Net amount recognized	<u>\$ 1</u>	<u>\$ (77)</u>	<u>\$ 39</u>	<u>\$ 63</u>
Plans with projected and accumulated benefit obligation in excess of plan assets:				
Projected and accumulated benefit obligation	\$ 75	\$ 1,659	\$ —	\$ —
Fair value of plan assets	—	1,582	—	—

The funded status of our qualified plans and non-qualified plans was \$76 million and \$(75) million, respectively, at December 31, 2019. Qualified plans are eligible for certain beneficial treatment under the Internal Revenue Code (“IRC”), while non-qualified plans do not meet the IRC criteria.

The amounts included in AOCI that have not yet been recognized in net periodic benefit expense as of December 31 were as follows:

<i>(In millions)</i>	U.S. Plans		U.K. Plan	
	2019	2018	2019	2018
Actuarial (loss) gain	\$ (5)	\$ (53)	\$ (54)	\$ 5
Prior-service credit	—	—	18	19
AOCI	\$ (5)	\$ (53)	\$ (36)	\$ 24

The net periodic benefit cost and amounts recognized in Other comprehensive income (loss) for the years ended December 31 was as follows:

<i>(In millions)</i>	U.S. Plans			U.K. Plan		
	2019	2018	2017	2019	2018	2017
Net periodic benefit (income) expense:						
Interest cost	\$ 66	\$ 59	\$ 77	\$ 29	\$ 28	\$ 34
Expected return on plan assets	(90)	(92)	(93)	(58)	(67)	(60)
Amortization of prior-service credit	—	—	—	(1)	(2)	(1)
Recognized AOCI loss due to settlements	—	—	(1)	—	—	—
Net periodic benefit income	\$ (24)	\$ (33)	\$ (17)	\$ (30)	\$ (41)	\$ (27)
Amounts recognized in Other comprehensive income (loss)						
Actuarial (gain) loss	\$ (49)	\$ 58	\$ (41)	\$ 57	\$ 40	\$ (72)
Prior-service cost	—	—	—	—	19	—
Reclassification of recognized AOCI gain due to settlements	—	—	1	—	—	—
Reclassification of prior-service credit to net periodic benefit income	—	—	—	1	2	1
(Gain) loss recognized in Other comprehensive income (loss)	\$ (49)	\$ 58	\$ (40)	\$ 58	\$ 61	\$ (71)

The weighted-average assumptions used to determine the net periodic benefit costs and benefit obligations for the year ended December 31 were as follows:

	U.S. Qualified Plans			U.S. Non-Qualified Plans			U.K. Plan		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Discount rate - net periodic benefit costs	4.08%	3.14% - 3.38%	3.83% - 4.35%	3.65% - 3.95%	2.84% - 3.21%	4.35%	2.56%	2.21%	2.70%
Discount rate - benefit obligations	3.35%	4.18% - 4.39%	3.55% - 3.71%	2.72% - 3.20%	3.93% - 4.28%	3.21% - 3.60%	2.04%	2.85%	2.53%
Expected long-term rate of return on plan assets	5.80%	3.00% - 5.40%	2.35% - 5.65%	N/A	N/A	N/A	4.85%	4.95%	5.00%

No rate of compensation increase was assumed as the plans are frozen to additional participant benefit accruals.

Beginning in 2018, we started using a full yield curve approach to estimate the interest cost component of net periodic benefit cost by applying specific spot rates along the yield curve used to determine the benefit obligation to each of the underlying projected cash flows based on time until payment. Before 2018, we estimated the interest cost component by using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation. Our new approach provides a more precise measurement of interest costs by improving the

correlation between projected benefit cash flows and their corresponding spot rates. The change did not impact the measurement of our U.S. and U.K. pension benefit obligation and has been accounted for as a change in accounting estimate and applied prospectively.

Expected benefit payments for the defined benefit pension plans are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

<i>(In millions)</i>	U.S. Plans	U.K. Plan
Year ending December 31:		
2020	\$ 90	\$ 42
2021	93	44
2022	95	46
2023	98	46
2024	100	49
2025-2029	524	268

Plan Assets

U.S. Plans

We manage the assets in the U.S. plans using a long-term liability-driven investment strategy that seeks to mitigate the funded status volatility by increasing exposure to fixed income investments over time. We developed this strategy by analyzing a variety of diversified asset-class combinations with the projected liabilities.

Our investment strategy is to achieve an investment mix of approximately 80% in fixed income securities and 20% of investments in equity securities. The fixed income allocation consists primarily of domestic fixed income securities and targets to hedge more than 90% of domestic projected liabilities. The target allocations for equity securities includes approximately 55% in U.S. equities and approximately 45% in non-U.S. equities. Investments in equity and fixed income securities consist of individual securities held in managed separate accounts and commingled investment funds. Generally, our investment strategy does not include an allocation to cash and cash equivalents but a cash allocation may arise periodically in response to timing considerations regarding contributions, investments, and the payment of benefits and eligible plan expenses. We periodically evaluate our defined benefit plans' asset portfolios for significant concentrations of risk. Types of investment concentration risks that are evaluated include concentrations in a single entity, industry, foreign country or individual fund manager. As of December 31, 2019, our defined benefit plan assets had no significant concentrations of risk.

Our investment policy does not allow investment managers to use market-timing strategies or financial derivative instruments for speculative purposes but financial derivative instruments are used to manage risk and achieve stated investment objectives for duration, yield curve, credit, foreign exchange and equity exposures. Generally, our investment managers are prohibited from short selling, trading on margin, and trading commodities, warrants or other options, except when acquired as a result of the purchase of another security, or in the case of options, when sold as part of a covered position.

The assumption of 5.80% for the overall expected long-term rate of return on plan assets in 2019 was developed using asset allocation and return expectations. The return expectations are created using long-term historical and expected returns and current market expectations for inflation, interest rates and economic growth.

U.K. Plan

Our U.K. Plan's assets are separated from our assets and invested by trustees, which include our representatives, with the goal of meeting the U.K. Plan's projected future pension liabilities. The trustees' investment objectives are to meet the performance target set in the deficit recovery plan of the U.K. Plan in a risk-controlled framework. The actual asset allocations of the U.K. Plan are in line with the target asset allocations. The implied target asset allocation of the U.K. Plan consists of approximately 60% matching assets (U.K. gilts and cash) and approximately 40% growth and income assets (consisting of a range of pooled funds investing in structured equities, high yield

bonds and asset-backed securities). The target asset allocations of the U.K. Plan include acceptable ranges for each asset class.

Collateral assets consist of U.K. fixed-interest gilts, index-linked gilts and cash, which are used to back derivative positions that hedge the sensitivity of the liabilities to changes in interest rates and inflation. On the U.K. Plan Actuary's Technical Provisions funding basis, approximately 95% of the liability interest rate sensitivity and 105% of the liability inflation sensitivity were hedged as of December 31, 2019. The expected long-term rate of return on plan assets in 2019 was 4.85%. Our approach to determine the expected long-term rate of return on plan assets is consistent with the one we used for the U.S. Plans.

The fair values of investments held in the pension plans by major asset category as of December 31, 2019 and 2018, and the percentage that each asset category comprises of total plan assets were as follows:

(Dollars in millions)

Asset category (U.S. Qualified Plans)	December 31, 2019				Percentage of Plan Assets
	Level 1	Level 2	Not Subject to Leveling ⁽¹⁾	Total	
Cash and cash equivalents					
Short-term investment fund	\$ —	\$ —	\$ 24	\$ 24	1.3%
Equity:					
U.S. large companies	—	—	140	140	7.5%
U.S. small companies	30	—	—	30	1.6%
International	72	—	75	147	7.9%
Fixed income securities:					
Global long-term debt instruments	405	1,108	5	1,518	81.5%
Derivatives	—	4	—	4	0.2%
Total U.S. Plan assets	\$ 507	\$ 1,112	\$ 244	\$ 1,863	100.0%
Asset category (U.K. Plan)					
Cash and cash equivalents	\$ 34	\$ —	\$ —	\$ 34	2.5%
Fixed income securities	—	773	474	1,247	91.6%
Derivatives	—	(8)	89	81	5.9%
Total U.K. Plan assets	\$ 34	\$ 765	\$ 563	\$ 1,362	100.0%

- (1) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total defined benefit pension plan assets.

(Dollars in millions)

Asset category (U.S. Qualified Plans)	December 31, 2018				Percentage of Plan Assets
	Level 1	Level 2	Not Subject to Leveling ⁽¹⁾	Total	
Cash and cash equivalents					
Short-term investment fund	\$ —	\$ —	\$ 37	\$ 37	2.3%
Equity:					
U.S. large companies	—	—	107	107	6.8%
U.S. small companies	25	—	—	25	1.6%
International	59	—	60	119	7.5%
Fixed income securities:					
Global long-term debt instruments	223	1,063	8	1,294	81.8%
Derivatives	1	(1)	—	—	—%
Total U.S. Plan assets	<u>\$ 308</u>	<u>\$ 1,062</u>	<u>\$ 212</u>	<u>\$ 1,582</u>	<u>100.0%</u>
Asset category (U.K. Plan)					
Cash and cash equivalents	\$ 57	\$ —	\$ —	\$ 57	4.6%
Fixed income securities	—	615	363	978	79.7%
Derivatives	—	5	26	31	2.6%
Hedge funds ⁽²⁾	—	—	38	38	3.1%
Diversified multi-asset funds:					
Dynamic asset allocation	—	—	123	123	10.0%
Total U.K. Plan assets	<u>\$ 57</u>	<u>\$ 620</u>	<u>\$ 550</u>	<u>\$ 1,227</u>	<u>100.0%</u>

(1) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total defined benefit pension plan assets.

(2) The fair value of the fund is based on the fair value of the underlying assets, substantially all of which is invested in the York Credit Opportunities Master Fund, L.P., an exempted limited partnership formed under the laws of the Cayman Islands. The fund offers very limited liquidity with redemption only allowed on the anniversary of investment with 60 days' prior notice.

For the periods ended December 31, 2019 and 2018, we had no investments held in the pension plans within Level 3 of the fair value hierarchy. Our common stock was not a plan asset as of December 31, 2019 or 2018. The U.S. Non-Qualified Pension Plans are unfunded.

Funding

Our funding practice is to evaluate our tax and cash position, and the funded status of our plans, in determining our planned contributions. We estimate that we will contribute \$5 million to our U.S. non-qualified plans and \$3 million to our U.K. plan in 2020 but this could change based on variations in interest rates, asset returns and other factors.

Defined Contribution Retirement Plans

Our costs for defined contribution retirement plans were \$70 million, \$66 million and \$62 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Postretirement Medical Plan

We provide health benefits through a postretirement medical plan for eligible employees hired before 1993 (the "Postretirement Plan").

Funded Status of Postretirement Medical Plan

The reconciliation of the changes in the plan's benefit obligation and the determination of the amounts recognized on our Consolidated Balance Sheets were as follows:

<i>(In millions)</i>	As of December 31,	
	2019	2018
Projected benefit obligation at beginning of year	\$ 34	\$ 40
Interest cost on projected benefit obligation	1	1
Actuarial loss (gain)	9	(5)
Participant contributions	1	2
Benefits paid	(4)	(4)
Projected and accumulated benefit obligation at end of year	\$ 41	\$ 34
Funded status of the plan	\$ (41)	\$ (34)
Amounts recognized in the balance sheet consist of:		
Current liabilities	\$ (3)	\$ (3)
Long-term liabilities	(38)	(31)
Net amount recognized	\$ (41)	\$ (34)
Discount rate assumption as of December 31	3.09%	4.21%

The amounts included in AOCI that have not yet been recognized in net periodic benefit expense as of December 31 were as follows:

<i>(In millions)</i>	2019	2018
Actuarial gain (loss)	\$ 2	\$ 12
AOCI	\$ 2	\$ 12

Net Periodic Benefit Expense for Postretirement Medical Plan

<i>(In millions, except discount rate)</i>	Years Ended December 31,		
	2019	2018	2017
Service cost - benefits earned during the year	\$ —	\$ 1	\$ —
Interest cost on projected benefit obligation	1	1	2
Amortization of actuarial gain	(2)	(1)	—
Net periodic benefit (gain) expense	\$ (1)	\$ 1	\$ 2
Discount rate assumption used to calculate interest cost	3.87% - 4.36%	3.11% - 3.67%	3.90%

Expected benefit payments, which reflect expected future service, as appropriate, are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

<i>(In millions)</i>	Benefit Payments
Year ending December 31:	
2020	\$ 3
2021	3
2022	3
2023	4
2024	4
2025-2029	15

14. Stockholders' Equity

Our Board of Directors is authorized to establish one or more series of preferred stock. At December 31, 2019 and 2018, only our Series A Convertible Perpetual Preferred Stock is outstanding.

Series A Convertible Perpetual Preferred Stock and Warrants

We issued to some investors 75,000 shares of the Series A Preferred Stock with an initial liquidation preference of \$1,000 per share, which are convertible into shares of our common stock at a conversion price of \$7.00 per common share (subject to customary anti-dilution adjustments). We also issued to some investors warrants exercisable for shares of our common stock at an initial exercise price of \$7.00 per common share (subject to customary anti-dilution adjustments). As of December 31, 2019, our outstanding preferred stock is convertible into 10 million shares of our common stock and our outstanding warrants are exercisable for an aggregate of 10 million shares of our common stock. Our preferred stock ranks senior to our common stock with respect to dividend and liquidation rights. Our preferred stock pays quarterly cash dividends equal to the greater of: (i) the “as-converted” dividends on our underlying common stock for the relevant quarter and (ii) 4% of the then-applicable liquidation preference per annum. Our preferred stock is not redeemable.

Equity Offering and Forward Sale Agreements

In July 2017, we completed a registered underwritten offering of 11 million shares of our common stock at a public offering price of \$60.50 per share (the “Offering”). Of the 11 million shares of common stock, we offered five million shares directly and six million shares were offered in connection with forward sale agreements (the “Forward Sale Agreements”). The Offering closed in July 2017 and we received \$290 million of proceeds (\$288 million net of fees and expenses) from the sale of the five million shares. We used the net proceeds for general corporate purposes. In July 2018, we settled the forward sales in full by delivering six million shares of our common stock to the counterparties in the agreements and received \$349 million of net cash proceeds. We used these net cash proceeds to repay our Senior Notes due 2022 as described above.

Share Repurchases

In December 2018, our Board of Directors authorized the repurchase of up to \$1 billion of our common stock (the “2018 Program”), which was completed in the first quarter of 2019. The share repurchases were funded by our Unsecured Credit Facility and our available cash.

In February 2019, our Board of Directors authorized additional repurchases of up to \$1.5 billion of our common stock (the “2019 Program”). The 2019 authorization permits us to purchase shares in both the open market and in private transactions, with the timing and number of shares dependent on a variety of factors, including price, general business conditions, market conditions, alternative investment opportunities and funding considerations. We are not obligated to repurchase any specific number of shares and may suspend or discontinue the program at any time. The share purchases under the 2019 Program were funded by our available cash and proceeds from our new debt offerings.

Information regarding our shares repurchased, based on settlement date, were as follows:

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2019		2018
	2019 Program	2018 Program	2018 Program
Shares purchased and retired	17	8	10
Aggregate value	\$ 883	\$ 464	\$ 536
Average price per share	\$ 50.70	\$ 59.47	\$ 53.46
Remaining authorization	\$ 617	\$ —	\$ 464

15. Stock-Based Compensation

We grant various types of stock-based compensation awards to directors, officers and key employees under our 2016 incentive plan. These awards include stock options, restricted stock units, performance-based units, cash incentive awards and other equity-related awards (collectively, “Awards”).

The 2016 plan authorizes the issuance of up to 5.4 million shares of our common stock as Awards. Shares awarded may consist of authorized and unissued shares or treasury shares. The 2016 plan will terminate on May 15, 2029, unless terminated earlier by our board of directors. As of December 31, 2019, 1.8 million shares of our common stock were available for the grant of Awards under the 2016 plan.

Our employee stock purchase plan offers eligible U.S. and some non-U.S. employees, excluding our executive officers and directors, the right to purchase our common stock through payroll deductions up to 10% of each employee’s compensation. Shares are purchased at 5% below fair market value on the last trading day of each six-month offering period. Employees must hold the stock for a minimum of three months from the date of purchase. The plan authorizes the purchase of up to two million shares of our common stock. The plan will terminate in October 2027, unless terminated earlier by our board of directors. We do not recognize stock-based compensation expense as the plan is non-compensatory. At December 31, 2019, two million shares of our common stock were available for purchase under the plan.

Our stock-based compensation expense is recorded in SG&A on our Consolidated Statements of Income:

<i>(In millions)</i>	Years ended December 31,		
	2019	2018	2017
Restricted stock units	\$ 30	\$ 21	\$ 12
Performance-based restricted stock units	6	9	10
Cash-settled performance-based restricted stock units	31	19	55
Other	—	—	2
Total stock-based compensation expense	\$ 67	\$ 49	\$ 79
Tax benefit on stock-based compensation	(2)	(22)	(8)

Stock Options

Our stock options typically vest over three to five years after the grant date for our employees and officers and one year after the grant date for our board of directors. The stock options have a 10-year contractual term and the exercise price equals our stock price on the grant date. We have not granted stock options since 2016.

A summary of stock option award activity for the year ended December 31, 2019 is presented below:

	Stock Options		
	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Term
Outstanding as of December 31, 2018	702,318	\$ 12.70	3.05
Granted	—	—	—
Exercised	(125,125)	14.46	
Forfeited	(1,438)	22.83	
Outstanding as of December 31, 2019	575,755	\$ 12.29	2.47
Options exercisable as of December 31, 2019	575,755	\$ 12.29	2.47

The intrinsic value of options outstanding and exercisable as of December 31, 2019 was \$39 million, respectively.

The total intrinsic value of options exercised during 2019, 2018 and 2017 was \$6 million, \$11 million and \$9 million, respectively. The total cash received from options exercised during 2019, 2018 and 2017 was \$1 million, respectively.

Restricted Stock Units and Performance-Based Restricted Stock Units

We grant RSUs and PRSUs to our key employees, officers and directors with various vesting requirements. RSUs generally vest based on the passage of time (service conditions) and PRSUs generally vest based on the achievement of our financial targets (performance conditions). PRSUs may also be subject to stock price (market conditions) and employment conditions. The holders of the RSUs and PRSUs do not have the rights of a stockholder and do not have voting rights until the shares are issued and delivered in settlement of the awards.

The number of RSUs and PRSUs vested includes shares of our common stock that we withheld on behalf of our employees to satisfy the minimum tax withholdings. We estimate the fair value of PRSUs subject to market-based vesting conditions using a Monte Carlo simulation lattice model.

A summary of RSU and PRSU award activity for the year ended December 31, 2019 is presented below:

	RSUs		PRSUs	
	Number of RSUs	Weighted-Average Grant Date Fair Value	Number of PRSUs	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2018	1,085,628	\$ 68.24	1,036,925	\$ 43.51
Granted	1,148,380	50.85	1,030,368	15.93
Vested	(195,609)	65.62	(407,245)	30.40
Forfeited and canceled	(308,984)	72.90	(75,783)	35.21
Outstanding as of December 31, 2019	1,729,415	\$ 56.17	1,584,265	\$ 29.35

The total fair value of RSUs that vested during 2019, 2018 and 2017 was \$13 million, \$30 million and \$23 million, respectively, measured at the weighted-average grant date fair value. All of the outstanding RSUs as of December 31, 2019 vest subject to service conditions.

The total fair value of PRSUs that vested during 2019, 2018 and 2017 was \$23 million, \$96 million and \$8 million, respectively, measured at the weighted-average grant date fair value. Of the outstanding PRSUs as of December 31, 2019, 418,342 vest subject to service and a combination of market and performance conditions and 1,165,923 vest subject to service and performance conditions.

As of December 31, 2019, unrecognized compensation cost related to non-vested RSUs and PRSUs of \$63 million is anticipated to be recognized over a weighted-average period of approximately 2.65 years.

Cash-Settled Performance-Based Restricted Stock Units

We grant cash-settled PRSUs to some key employees and executive officers. The PRSUs vest based on the passage

of time and are settled in cash either ratably over a two to four year period or cliff vest at the end of three to four years. The awards may also be subject to the achievement of performance targets and employment conditions. The awards are classified as liabilities and the fair value is based on the closing price of our common stock at grant date and is re-measured each reporting date until settlement. We recognize compensation expense for cash-settled PRSUs over the performance periods based on the probability of achieving the performance conditions and the closing price of our common stock. As of December 31, 2019 and 2018, we had recognized accrued liabilities of \$30 million and \$18 million, respectively, using a fair value per PRSU of \$79.70 and \$57.04, respectively.

A summary of cash-settled PRSU award activity for the year ended December 31, 2019 is presented below:

	Number of Cash-Settled PRSUs
Outstanding as of December 31, 2018	753,276
Granted	—
Vested	(317,949)
Forfeited and canceled	—
Outstanding as of December 31, 2019	435,327

As of December 31, 2019, we had \$4 million of unrecognized compensation cost related to non-vested cash-settled PRSU compensation that is anticipated to be recognized in 2020; this will vary based on changes in our common stock price and the probability of achieving performance targets in future periods.

16. Income Taxes

Income (loss) before taxes related to our U.S. and foreign operations was as follows:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
U.S.	\$ 379	\$ 319	\$ 278
Foreign	190	247	(17)
Income before income tax provision (benefit)	\$ 569	\$ 566	\$ 261

The income tax provision (benefit) is comprised of the following:

<i>(In millions)</i>	Years Ended December 31,		
	2019	2018	2017
Current:			
U.S. Federal	\$ 18	\$ 2	\$ 2
State	3	6	(3)
Foreign	62	69	59
Total current income tax provision	\$ 83	\$ 77	\$ 58
Deferred:			
U.S. Federal ⁽¹⁾	\$ 52	\$ 57	\$ (134)
State	—	2	(2)
Foreign ^{(2) (3)}	(6)	(14)	(21)
Total deferred income tax provision (benefit)	46	45	(157)
Total income tax provision (benefit)	\$ 129	\$ 122	\$ (99)

(1) On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. The Tax Act includes numerous changes to existing U.S. tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction

became effective January 1, 2018. As a result, we recorded a tax benefit of \$173 million in the fourth quarter of 2017 related to the revaluation of our net deferred tax liabilities. We did not record any changes during the measurement period.

- (2) On December 29, 2019, a law was published in France modifying the phases of previously enacted rate reductions. Consequently, we recorded a tax expense of \$3 million in the fourth quarter of 2019 related to the revaluation of our net deferred tax liabilities due to the expected recognition of these liabilities.
- (3) On December 31, 2017, a law was published in France enacting a rate reduction from 34.4% to 25.8% to be phased in over five years starting in 2018. On December 29, 2017, a law was published in Belgium enacting a tax rate reduction from 34% to 25% to be phased in over three years starting in 2018. Consequently, we recorded a tax benefit of \$10 million in the fourth quarter of 2017 related to the revaluation of our net deferred tax liabilities.

The effective tax rate reconciliations were as follows:

	Years Ended December 31,		
	2019	2018	2017
U.S. federal statutory tax rate	21.0%	21.0%	35.0 %
State taxes, net of U.S. federal benefit	0.7	1.2	(1.2)
Foreign rate differential	(0.3)	(1.1)	(6.7)
Foreign operations ⁽¹⁾	2.9	8.3	(0.1)
Valuation allowance	0.1	(3.7)	0.8
Changes in uncertain tax positions	(0.9)	—	5.1
Effect of law changes ^{(2) (3)}	0.6	—	(70.2)
Stock-based compensation	(0.3)	(3.8)	(3.3)
Other	(1.2)	(0.3)	2.4
Effective tax rate	<u>22.6%</u>	<u>21.6%</u>	<u>(38.2)%</u>

- (1) Foreign operations include the net impact of the changes to foreign valuation allowances, the cost of foreign inclusion net of foreign tax credits, and permanent items related to foreign operations.
- (2) In 2019, there were tax rate changes in France.
- (3) In 2017, there were tax rate changes in the U.S., France and Belgium.

Components of the Net Deferred Tax Asset or Liability

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset and deferred tax liability were as follows:

<i>(In millions)</i>	Years Ended December 31,	
	2019	2018
Deferred tax asset		
Net operating loss and other tax attribute carryforwards	\$ 129	\$ 154
Accrued expenses	45	60
Pension and other retirement obligations	17	25
Other	59	62
Total deferred tax asset	250	301
Valuation allowance	(69)	(73)
Total deferred tax asset, net	181	228
Deferred tax liability		
Intangible assets	(297)	(330)
Property and equipment	(324)	(299)
Other	(46)	(35)
Total deferred tax liability	(667)	(664)
Net deferred tax liability	<u>\$ (486)</u>	<u>\$ (436)</u>

The deferred tax asset and deferred tax liability above are reflected on our Consolidated Balance Sheets as follows:

<i>(In millions)</i>	December 31,	
	2019	2018
Other long-term assets	\$ 9	\$ 8
Deferred tax liability	(495)	(444)
Net deferred tax liability	<u>\$ (486)</u>	<u>\$ (436)</u>

Investments in Foreign Subsidiaries

As a result of the Tax Act, we decided to apply a partial indefinite reversal assertion to pre-2018 earnings and profits that have been invested back into the foreign businesses. We also decided not to apply an indefinite reversal assertion on all 2018 and future years' earnings and profits.

Operating Loss and Tax Credit Carryforwards

(In millions)	Expiration Date	December 31,	
		2019	2018
Federal net operating losses for all U.S. operations (including those of minority owned subsidiaries)	2032 - 2037 ⁽¹⁾	\$ 72	\$ 82
Tax effect (before federal benefit) of state net operating losses	Various times starting in 2020 ⁽¹⁾	26	26
Federal tax credit carryforwards	Various times starting in 2032 ⁽¹⁾	4	16
State tax credit carryforward	Various times starting in 2020 ⁽¹⁾	10	8
Foreign net operating losses available to offset future taxable income	Various times starting in 2020 ⁽¹⁾	379	382

(1) Some credits and losses have unlimited carryforward periods.

Valuation Allowance

We established a valuation allowance for some of our deferred tax assets, as it is more-likely-than-not that these assets will not be realized in the foreseeable future. We concluded that the remaining deferred tax assets will more-likely-than-not be realized, though this is not assured, and as such no valuation allowance has been provided on these assets.

The balances and activity related to our valuation allowance were as follows:

(In millions)	Beginning Balance	Additions	Reductions/Charges	Ending Balance
Year Ended December 31, 2019	\$ 73	\$ —	\$ (4)	\$ 69
Year Ended December 31, 2018	93	—	(20)	73
Year Ended December 31, 2017	83	29	(19)	93

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits (“UTB”) is as follows:

(In millions)	Years Ended December 31,		
	2019	2018	2017
Beginning balance	\$ 23	\$ 25	\$ 15
Additions for tax positions of the current period	—	1	2
Additions for tax positions of prior years	3	2	17
Reductions for tax positions of prior years	(7)	(3)	—
Settlements with tax authorities	(1)	—	(3)
Reductions due to the statute of limitations	(1)	(1)	(6)
Currency translation adjustment	—	(1)	—
Ending balance	\$ 17	\$ 23	\$ 25
Interest and penalties	7	6	5
Gross unrecognized tax benefits	\$ 24	\$ 29	\$ 30
Total UTB that, if recognized, would impact the effective income tax rate as of the end of the year	\$ 16	\$ 22	\$ 23

We could reflect a reduction to unrecognized tax benefits of \$3 million over the next 12 months due to the statute of limitations lapsing on positions or because tax positions are sustained on audit.

We are subject to taxation in the United States and various states and foreign jurisdictions. As of December 31, 2019, we have no tax years under examination by the Internal Revenue Service (“IRS”). We have various U.S. state and local examinations and non-U.S. examinations in process. The U.S. federal tax returns after 2008, state and local returns after 2012, and non-U.S. returns after 2008 are open under relevant statutes of limitations and are subject to audit.

17. Earnings per Share

We compute basic and diluted earnings per share using the two-class method, which allocates earnings to participating securities. The participating securities consist of our Series A Convertible Perpetual Preferred Stock. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Losses are not allocated to the preferred shares.

The computations of basic and diluted earnings per share were as follows:

<i>(In millions, except per share data)</i>	Years Ended December 31,		
	2019	2018	2017
Basic earnings per common share			
Net income attributable to XPO	\$ 419	\$ 422	\$ 340
Series A preferred stock dividends	(3)	(3)	(3)
Non-cash allocation of undistributed earnings	(37)	(29)	(25)
Net income attributable to common shares, basic	<u>\$ 379</u>	<u>\$ 390</u>	<u>\$ 312</u>
Basic weighted-average common shares	96	123	115
Basic earnings per share	\$ 3.95	\$ 3.17	\$ 2.72
Diluted earnings per common share			
Net income attributable to common shares, basic	\$ 379	\$ 390	\$ 312
Interest from Convertible Senior Notes	—	—	1
Net income attributable to common shares, diluted	<u>\$ 379</u>	<u>\$ 390</u>	<u>\$ 313</u>
Basic weighted-average common shares	96	123	115
Dilutive effect of Convertible Senior Notes	—	—	2
Dilutive effect of non-participating stock-based awards and equity forward	10	12	11
Diluted weighted-average common shares	106	135	128
Diluted earnings per share	\$ 3.57	\$ 2.88	\$ 2.45
Potential common shares excluded	10	10	10

Certain shares were not included in the computation of diluted earnings per share because the effect was anti-dilutive.

18. Commitments and Contingencies

We are involved, and will continue to be involved, in numerous proceedings arising out of the conduct of our business. These proceedings may include claims for property damage or personal injury incurred in connection with

the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contracts. These matters also include numerous purported class action, multi-plaintiff and individual lawsuits, and administrative proceedings that claim either that our owner-operators or contract carriers should be treated as employees, rather than independent contractors, or that some of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both.

We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We review and adjust accruals for loss contingencies quarterly and as additional information becomes available. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material and an estimate can be made, or disclose that such an estimate cannot be made. The determination as to whether a loss can reasonably be considered to be possible or probable is based on our assessment, together with legal counsel, regarding the ultimate outcome of the matter.

We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We do not believe that the ultimate resolution of any matters to which we are presently a party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

We carry liability and excess umbrella insurance policies that we deem sufficient to cover potential legal claims arising in the normal course of conducting our operations as a transportation and logistics company. The liability and excess umbrella insurance policies generally do not cover the misclassification claims described in this note. In the event we are required to satisfy a legal claim outside the scope of the coverage provided by insurance, our financial condition, results of operations or cash flows could be negatively impacted.

Intermodal Drayage Classification Claims

Certain of our intermodal drayage subsidiaries received notices from the California Labor Commissioner, Division of Labor Standards Enforcement (the “DLSE”), that a total of approximately 150 owner-operators contracted with these subsidiaries filed claims in 2012 with the DLSE. These owner-operators asserted that they should be classified as employees, rather than independent contractors. These claims seek reimbursement for the owner-operators’ business expenses, including fuel, tractor maintenance and tractor lease payments. Decisions were rendered in June 2015 by a DLSE hearing officer with respect to claims of five plaintiffs, resulting in awards in an aggregate amount of approximately \$1 million, following which we appealed the decisions in the U.S. District Court for the Central District of California (“Central District Court”). On May 16, 2017, the Central District Court issued judgment finding that the five claimants were employees rather than independent contractors and awarded an aggregate of approximately \$1 million plus post-judgment interest and attorneys’ fees to the claimants. We appealed this judgment, but on February 20, 2019, the United States Court of Appeals for the Ninth Circuit declined to consider the appeal on technical grounds. In addition, separate decisions were rendered in April 2017 by a DLSE hearing officer in claims involving four additional plaintiffs, resulting in an award for the plaintiffs in an aggregate amount of approximately \$1 million. We appealed this decision to the California Superior Court, Long Beach, and the court ultimately entered judgment in favor of the four plaintiffs for approximately \$812 thousand on September 27, 2019. The remaining DLSE claims (the “Pending DLSE Claims”) were transferred to California Superior Court, Los Angeles in three separate actions involving approximately 170 claimants, including the claimants mentioned above who originally filed claims in 2012. We have reached an agreement to settle the majority of the Pending DLSE Claims, the settlement payment has been made, and the settled claims have been dismissed. In addition, some of our intermodal drayage subsidiaries are party to putative class action litigations, individual and multi-plaintiff lawsuits, and administrative claims in California brought by independent contract carriers who contracted with these subsidiaries. In these matters, the contract carriers assert that they should be classified as employees, rather than

independent contractors. We believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable relating to the claims referenced above. We are unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of our accrued liability that we may incur as a result of these claims given, among other reasons, that the range of potential loss could be impacted substantially by future rulings by the courts involved, including on the merits of the claims.

Last Mile Logistics Classification Claims

Some of our last mile logistics subsidiaries are party to several putative class action litigations brought by independent contract carriers who contracted with these subsidiaries. In these litigations, the contract carriers, and in some cases the contract carriers' employees, assert that they should be classified as employees, rather than independent contractors. The particular claims asserted vary from case to case, but the claims generally allege unpaid wages, unpaid overtime, or failure to provide meal and rest periods, and seek reimbursement of the contract carriers' business expenses. The cases include four related matters pending in the Federal District Court, Northern District of California: *Ron Carter, Juan Estrada, Jerry Green, Burl Malmgren, Bill McDonald and Joel Morales v. XPO Logistics, Inc.* ("Carter"), filed in March 2016; *Ramon Garcia v. Macy's and XPO Logistics Inc.* ("Garcia"), filed in July 2016; *Kevin Kramer v. XPO Logistics Inc.* ("Kramer"), filed in September 2016; and *Hector Ibanez v. XPO Last Mile, Inc.* ("Ibanez"), filed in May 2017. We reached agreements to settle the *Carter, Garcia, Kramer* and *Ibanez* matters and have accrued the full amount of the settlements. The *Carter* settlement received final court approval on October 18, 2019, and the settlement has been paid. The parties await final approval of the settlements in the other matters. As for the other pending lawsuits, we believe that we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. We are unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of our accrued liability that we may incur as a result of these claims given, among other reasons, that the number and identities of plaintiffs in these lawsuits are uncertain and the range of potential loss could be impacted substantially by future rulings by the courts involved, including on the merits of the claims.

Shareholder Litigation

On December 14, 2018, two putative class actions were filed in the U.S. District Court for the District of Connecticut and the U.S. District Court for the Southern District of New York against us and some of our current and former executives, alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 20(a) of the Exchange Act, based on alleged material misstatements and omissions in our public filings with the U.S. Securities and Exchange Commission. On January 7, 2019, the plaintiff in one of the class actions, *Leeman v. XPO Logistics, Inc. et al.*, No. 1:18-cv-11741 (S.D.N.Y.), voluntarily dismissed the action without prejudice. In the other putative class action, *Labul v. XPO Logistics, Inc. et al.*, No. 3:18-cv-02062 (D. Conn.), which is pending in the U.S. District Court for the District of Connecticut, on April 2, 2019, the court appointed Local 817 IBT Pension Fund, Local 272 Labor-Management Pension Fund, and Local 282 Pension Trust Fund and Local 282 Welfare Trust Fund (together, the "Pension Funds") as lead plaintiffs. On June 3, 2019, the Pension Funds, with additional plaintiff Norfolk County Retirement System, filed a consolidated class action complaint against us and some of our current and former executives, alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 20(a) of the Exchange Act, and Sections 11 and 15 of the Securities Act, based on alleged material misstatements and omissions in our public filings with the U.S. Securities and Exchange Commission. Defendants moved to dismiss the consolidated class action complaint on August 2, 2019. On November 4, 2019, the court dismissed the consolidated class action complaint without prejudice to the filing of an amended complaint. The Pension Funds, on January 3, 2020, filed a first amended consolidated class action complaint against us and a current executive, alleging violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 20(a) of the Exchange Act. Defendants' deadline to respond to or move against the amended complaint is March 3, 2020.

Also, on May 13, 2019, Adriana Jez filed a purported shareholder derivative action captioned *Jez v. Jacobs, et al.*, No. 19-cv-889-RGA (D. Del.) ("Jez complaint") in the U.S. District Court for the District of Delaware, alleging breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of the Exchange Act against some of our current and former directors and officers, with the company as a nominal defendant. On May 24, 2019, Erin Candler filed a purported shareholder derivative action with substantially similar claims and allegations against the same parties, captioned *Candler v. Jacobs, et al.*, No. 19-cv-959-CFC (D. Del.), also in the U.S. District Court

for the District of Delaware. On June 14, 2019, the two actions were consolidated for all purposes (“consolidated action”). On September 27, 2019, plaintiffs in the consolidated action filed a consolidated shareholder derivative complaint. On the same date, Kevin Rose filed a purported shareholder derivative action with substantially similar claims and allegations against the same parties, captioned *Rose v. Jacobs, et al.*, No. 19-cv-1815-RGA (D. Del.), also in the U.S. District Court for the District of Delaware. On December 12, 2019, the court ordered that the *Rose* action be consolidated into the consolidated action. On January 27, 2020, plaintiffs designated the *Jez* complaint as the operative complaint in the consolidated cases. Defendants’ deadline to respond to or move against the operative complaint is February 26, 2020.

We believe these suits are without merit and we intend to defend the company vigorously against the allegations. We are unable at this time to determine the amount of the possible loss or range of loss, if any, that we may incur as a result of these matters.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer (“CEO”) and acting chief financial officer (“CFO”), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of December 31, 2019. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2019, such that the information required to be included in our SEC reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to XPO, including our consolidated subsidiaries; and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and acting chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2019.

KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an audit report, which is included elsewhere within this Form 10-K, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is provided under Item 1 of Part I of this Annual Report on Form 10-K) will be set forth in our definitive Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

We have adopted a Code of Business Ethics (the “Code”), which is applicable to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. The Code is available on our website at www.xpo.com, under the heading “Corporate Governance” within the “Investors” tab. In the event that we amend or waive any of the provisions of the Code that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our website at the web address specified above.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by Item 12 of Part III of Form 10-K, including information regarding security ownership of certain beneficial owners and management and information regarding securities authorized for issuance under equity compensation plans, will be set forth in our Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE*

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Financial Statements and Financial Statement Schedules

The list of Consolidated Financial Statements provided in the Index to Consolidated Financial Statements is incorporated herein by reference. Such Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K. All financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the Consolidated Financial Statements and notes thereto.

Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Investment Agreement, dated June 13, 2011, by and among Jacobs Private Equity, LLC (“JPE”), each of the other investors party thereto and the registrant (incorporated herein by reference to Exhibit 2.1 to the registrant’s Current Report on Form 8-K filed with the SEC on June 14, 2011).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of the registrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007).</u>
3.2	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 31, 2006 (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the SEC on June 7, 2006).</u>
3.3	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated June 20, 2007 (incorporated herein by reference to Exhibit 3(i) to the registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).</u>
3.4	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 1, 2011 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on September 6, 2011 (the “September 2011 Form 8-K”).</u>
3.5	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 20, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.6	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 8, 2015 (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on September 8, 2015).</u>
3.7	<u>2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3(ii) to the registrant’s Current Report on Form 8-K/A filed with the SEC on September 14, 2007).</u>
3.8	<u>Text of Amendments to the 2nd Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.2 to the registrant’s Current Report on Form 8-K filed with the SEC on May 21, 2015).</u>
3.9	<u>Amendment to the 2nd Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the SEC on March 17, 2017).</u>
4.1	<u>Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant (incorporated herein by reference to Exhibit 4.1 to the September 2011 Form 8-K).</u>
4.2	<u>Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 to the September 2011 Form 8-K).</u>

<u>Exhibit Number</u>	<u>Description</u>
4.3	<u>Registration Rights Agreement, dated September 2, 2011, by and among JPE, each of the other holders and designated secured lenders party thereto and the registrant (incorporated herein by reference to Exhibit 4.3 to the September 2011 Form 8-K).</u>
4.4	<u>Certificate of Designation of Series B Convertible Perpetual Preferred Stock of the registrant, dated September 16, 2014 (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on September 18, 2014).</u>
4.5	<u>Indenture, dated June 9, 2015, between the registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee, The Bank of New York Mellon, London Branch as London Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Paying Agent (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 15, 2015).</u>
4.6	<u>Certificate of Designation of Series C Convertible Perpetual Preferred Stock of the registrant, dated June 3, 2015 (incorporated herein by reference to Exhibit 4.2 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on June 26, 2015).</u>
4.7	<u>Indenture, dated August 25, 2016, between the registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>
4.8	<u>Indenture, dated February 22, 2019, by and among the registrant, the guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (incorporated herein by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed with the SEC on February 22, 2019).</u>
4.9 *	<u>Description of Common Stock.</u>
10.1 +	<u>2001 Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-8 filed with the SEC on May 20, 2010).</u>
10.2 +	<u>Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "Fiscal Year 2011 Form 10-K")).</u>
10.3 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.19 to the Fiscal Year 2011 Form 10-K).</u>
10.4 +	<u>Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the Fiscal Year 2011 Form 10-K).</u>
10.5 +	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.21 to the Fiscal Year 2011 Form 10-K).</u>
10.6 +	<u>Form of Option Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.22 to the Fiscal Year 2011 Form 10-K).</u>
10.7 +	<u>Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants through May 2011) (incorporated herein by reference to Exhibit 10.24 to the Fiscal Year 2011 Form 10-K).</u>
10.8 +	<u>Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on April 27, 2012).</u>
10.9 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (Amended and Restated 2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 20, 2014).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.10 +	<u>Form of Restricted Stock Unit Award Agreement (Amended and Restated 2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on March 20, 2014).</u>
10.11 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (Amended and Restated 2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.7 to the registrant's Current Report on Form 8-K filed with the SEC on February 11, 2016 (the "February 2016 Form 8-K")).</u>
10.12 +	<u>Form of Amendment to PRSU Agreements, dated March 7, 2016 (Amended and Restated 2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 8, 2016).</u>
10.13 +	<u>2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on November 21, 2016).</u>
10.14 +	<u>Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "Fiscal Year 2016 Form 10-K")).</u>
10.15 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.16 to the Fiscal Year 2016 Form 10-K).</u>
10.16 +	<u>Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.17 to the Fiscal Year 2016 Form 10-K).</u>
10.17 +	<u>Performance-Based Restricted Stock Unit Award Agreement, dated August 9, 2018, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 5, 2018).</u>
10.18 +	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed with the SEC on November 5, 2018).</u>
10.19 +	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Bradley S. Jacobs (incorporated herein by reference to Exhibit 10.21 to the Fiscal Year 2018 Form 10-K).</u>
10.20 +	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Troy A. Cooper (incorporated herein by reference to Exhibit 10.22 to the Fiscal Year 2018 Form 10-K).</u>
10.21 +	<u>Amendment Letter, dated December 31, 2018, to Performance-Based Restricted Stock Unit Award Agreement, dated February 9, 2016, between the registrant and Mario Harik (incorporated herein by reference to Exhibit 10.23 to the Fiscal Year 2018 Form 10-K).</u>
10.22 +	<u>Amendment No. 1 to the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Annex B to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on April 22, 2019).</u>
10.23 +	<u>Form of Performance-Based Restricted Unit Award Agreement (Amended 2016 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 1, 2019).</u>
10.24 +	<u>Form of Employment Agreement, dated February 9, 2016, (incorporated herein by reference to Exhibit 10.1 to the February 2016 Form 8-K).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.25 +	<u>Exhibit A to Employment Agreement, dated February 9, 2016, between the registrant and Bradley S. Jacobs, (incorporated herein by reference to Exhibit 10.2 to the February 2016 Form 8-K).</u>
10.26 +	<u>Exhibit A to Employment Agreement, dated February 9, 2016, between the registrant and Troy A. Cooper (incorporated herein by reference to Exhibit 10.3 to the February 2016 Form 8-K).</u>
10.27 +	<u>Exhibit A to Employment Agreement, dated February 9, 2016, between the registrant and John J. Hardig, (incorporated herein by reference to Exhibit 10.4 to the February 2016 Form 8-K).</u>
10.28 +	<u>Exhibit A to Employment Agreement, dated February 9, 2016, between the registrant and Scott B. Malat, (incorporated herein by reference to Exhibit 10.6 to the February 2016 Form 8-K).</u>
10.29 +	<u>Exhibit A to Employment Agreement, dated February 9, 2016, between the registrant and Mario A. Harik (incorporated herein by reference to Exhibit 10.7 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).</u>
10.30 +	<u>Employment Agreement, dated April 19, 2018, between the registrant and Kenneth R. Wagers III (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on April 24, 2018).</u>
10.31 +	<u>Amendment, dated June 5, 2019, to Employment Agreement, dated February 9, 2016, between the registrant and Bradley S. Jacobs (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 1, 2019).</u>
10.32 +	<u>Amendment, dated June 5, 2019, to Employment Agreement, dated February 9, 2016, between the registrant and Troy A. Cooper (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 1, 2019).</u>
10.33 +	<u>Amendment, dated June 5, 2019, to Employment Agreement, dated February 9, 2016, between the registrant and Mario A. Harik (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 1, 2019).</u>
10.34 +	<u>Employment Agreement, dated June 5, 2019, between the registrant and Sarah J.S. Glickman (incorporated herein by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed with the SEC on August 1, 2019).</u>
10.35	<u>XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Annex A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on November 20, 2017).</u>
10.36	<u>Amendment No. 1, dated December 4, 2018, to the XPO Logistics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.18 to the Fiscal Year 2018 Form 10-K).</u>
10.37	<u>Second Amended and Restated Revolving Loan Credit Agreement, dated October 30, 2015, by and among the registrant and certain subsidiaries signatory thereto, as borrowers, other credit parties signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>
10.38	<u>Senior Secured Term Loan Credit Agreement, dated October 30, 2015, by and among the registrant, certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on November 2, 2015).</u>
10.39	<u>Incremental and Refinancing Amendment (Amendment No. 1 to Senior Secured Term Loan Credit Agreement), dated August 25, 2016, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on August 26, 2016).</u>

<u>Exhibit Number</u>	<u>Description</u>
10.40	<u>Refinancing Amendment (Amendment No. 2 to Senior Secured Term Loan Credit Agreement), dated March 10, 2017, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 13, 2017).</u>
10.41	<u>Amendment No. 1 to Second Amended and Restated Revolving Loan Credit Agreement, dated July 19, 2017, by and among the registrant and certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on July 25, 2017).</u>
10.42	<u>Refinancing Amendment (Amendment No. 3 to Senior Secured Term Loan Credit Agreement), dated February 23, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the SEC on February 26, 2018).</u>
10.43	<u>Amendment No. 2 to Second Amended and Restated Revolving Loan Credit Agreement, dated March 22, 2018, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed with the SEC on May 7, 2018).</u>
10.44	<u>Amendment No. 4, dated March 7, 2019, to Senior Secured Term Loan Credit Agreement, dated October 30, 2015, by and among the registrant and certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019 filed with the SEC on May 1, 2019).</u>
10.45	<u>Incremental Amendment (Amendment No. 5 to Senior Secured Term Loan Credit Agreement), dated March 18, 2019, by and among the registrant, the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 18, 2019).</u>
10.46	<u>Amendment No. 3 to Second Amended and Restated Revolving Loan Credit Agreement, dated April 30, 2019, by and among the registrant, certain subsidiaries signatory thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 1, 2019).</u>
21 *	<u>Subsidiaries of the registrant.</u>
23 *	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm.</u>
31.1 *	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.</u>
31.2 *	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.</u>
32.1 **	<u>Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.</u>
32.2 **	<u>Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.</u>
101.INS *	<u>XBRL Instance Document.</u>

<u>Exhibit Number</u>	<u>Description</u>
101.SCH *	XBRL Taxonomy Extension Schema.
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF *	XBRL Taxonomy Extension Definition Linkbase.
101.LAB *	XBRL Taxonomy Extension Label Linkbase.
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase.
104 *	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).
*	Filed herewith.
**	Furnished herewith.
+	This exhibit is a management contract or compensatory plan or arrangement.

Item 16. *FORM 10-K SUMMARY*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XPO LOGISTICS, INC.

By: /s/ Bradley S. Jacobs
Bradley S. Jacobs
(Chairman of the Board of Directors and Chief Executive Officer)

By: /s/ Sarah J.S. Glickman
Sarah J.S. Glickman
(Acting Chief Financial Officer)

February 10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Bradley S. Jacobs</u> Bradley S. Jacobs	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 10, 2020
<u>/s/ Sarah J.S. Glickman</u> Sarah J.S. Glickman	Acting Chief Financial Officer (Principal Financial Officer)	February 10, 2020
<u>/s/ Lance A. Robinson</u> Lance A. Robinson	Chief Accounting Officer (Principal Accounting Officer)	February 10, 2020
<u>/s/ AnnaMaria DeSalva</u> AnnaMaria DeSalva	Vice Chairman of the Board of Directors	February 10, 2020
<u>/s/ Gena L. Ashe</u> Gena L. Ashe	Director	February 10, 2020
<u>/s/ Marlene M. Colucci</u> Marlene M. Colucci	Director	February 10, 2020
<u>/s/ Michael G. Jesselson</u> Michael G. Jesselson	Lead Independent Director	February 10, 2020
<u>/s/ Aris Kekedjian</u> Aris Kekedjian	Director	February 10, 2020
<u>/s/ Adrian P. Kingshott</u> Adrian P. Kingshott	Director	February 10, 2020
<u>/s/ Jason D. Papastavrou</u> Jason D. Papastavrou	Director	February 10, 2020
<u>/s/ Oren G. Shaffer</u> Oren G. Shaffer	Director	February 10, 2020

This page is intentionally left blank



BOARD OF DIRECTORS:

Bradley S. Jacobs

Chairman of the Board, XPO Logistics, Inc.

Gena L. Ashe

General Counsel and Corporate Secretary, Anterix Inc.

Marlene M. Colucci

Executive Director, The Business Council

AnnaMaria DeSalva

Vice Chairman of the Board, XPO Logistics, Inc.;
Global Chairman and Chief Executive Officer,
Hill+Knowlton Strategies

Michael G. Jesselson

Lead Independent Director,
XPO Logistics, Inc.;
President and Chief Executive Officer,
Jesselson Capital Corporation

Aris Kekedjian

Advisor to global companies on finance and
M&A strategies

Adrian P. Kingshott

Chief Executive Officer, AdSon LLC
Managing Director, Spotlight Advisors, LLC

Jason D. Papastavrou

Founder and Chief Investment Officer,
ARIS Capital Management, LLC

Oren G. Shaffer

Former Vice Chairman and Chief Financial Officer,
Qwest Communications International, Inc.

EXECUTIVE OFFICERS:

Bradley S. Jacobs

Chief Executive Officer

Troy A. Cooper

President

David B. Wyshner

Chief Financial Officer

Mario A. Harik

Chief Information Officer

FINANCIAL AND OTHER COMPANY INFORMATION:

Copies of XPO Logistics, Inc.'s financial information such as the Company's Annual Report on Form 10-K as filed with the SEC, quarterly reports on Form 10-Q and Proxy Statement are available at the Company's website at www.xpo.com or by contacting "Investor Relations" at our corporate executive office address.

ANNUAL MEETING OF STOCKHOLDERS:

The Annual Meeting of Stockholders will be held on May 14, 2020 at 10:00 a.m. Eastern Daylight Time as a virtual meeting via webcast. You can access the meeting at www.meetingcenter.io/229070589 with password XPO2020 and your control number.

TRANSFER AGENT:

Computershare Trust Company, N.A.
Tel. (877) 581-5548
www.computershare.com/investor

Mailing address - courier:

462 South 4th Street, Suite 1600
Louisville, KY 40202

Mailing address - regular mail:

P.O. Box 505000
Louisville, KY 40233-5000

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

KPMG LLP, Stamford, CT

COMMON STOCK:

The company's common stock is traded on NYSE under the symbol "XPO"

CORPORATE EXECUTIVE OFFICE:

Five American Lane
Greenwich, CT 06831
Tel. (855) 976-6951

XPO Logistics, Inc.
Five American Lane
Greenwich, CT 06831 USA