GXO WORKER BRIEFING

XPO GLOBAL UNION FAMILY

Why is XPO "spinning off" GXO?

Simply put, CEO Bradley Jacobs doesn't believe the market is 'rewarding' the current configuration of XPO with a sufficiently high stock price. By splitting the current XPO into two separate companies, by the wonders of the market, the 'new XPO' and GXO will be collectively worth more. The move is not without risks, however, as the company warns investors, which include the challenges and costs of being a smaller, less diversified company. The spin-off also represents a capitulation of XPO's strategy to date of aggressively acquiring other companies to provide a one-stop shop for customer's transportation and warehousing needs.

What is "GXO" exactly?

GXO will comprise almost all of XPO's warehousing operations ("contract logistics") around the world. GXO operations currently employ a total of 66,000 employees on a full or part time basis and rely on an additional 27,000 temporary or agency workers. A third of workers will be based in North America (none of whom have the protections of a collective bargaining agreement) and the bulk of the remainder in Europe (where nearly three quarters of workers are members of a union). GXO will be headquartered in London at **Gridiron Building, 1 Pancras Square, King's Cross, London N1C 4AG** but will be subject to US business law and trade on a US stock exchange. By sales, GXO is expected to be a little over a third of the size of the current combined company.

Who is the new boss?

To some extent, it remains XPO's current CEO and chair Bradley Jacobs, who will continue to exert significant influence over GXO as chairman of the board and GXO's largest shareholder. However, officially, your new CEO is Malcolm Wilson, the current head of XPO Logistics Europe.

Other notable additions to the new leadership are Chief Human Resources Officer Maryclaire Hammond who currently serves as senior vice president, human resources for XPO's logistics operations in the Americas and Asia Pacific. She will no doubt bring a North American approach to employee relations with her which could be quite different from the European approach. The Chief Commercial Officer Bill Fraine also comes from XPO's logistics operations in the Americas and Asia Pacific. He joined XPO in 2011 as head of operations and before that spent 23 years with FedEx.

All together the new leadership team comprises 10 Senior and Chief Officers.

I heard XPO had a CEO pay problem; what about GXO?

While it doesn't seem that Malcolm Wilson will be receiving the stratospheric level of pay garnered by CEO Jacobs – $21 million in 2020 – he is receiving a very lucrative pay package. This includes:

- £468,000 in base salary;
- 18 months' severance if he is fired;
- a pension allowance worth approximately £84,000;
- a monthly car allowance of £863;
- up to 26 weeks of sick leave at full-pay; and
- private health insurance for his family

Wilson will also receive a one-time multi-million dollar equity award, the opportunity to receive an annual bonus worth as much as £1 million, and an annual long-term incentive award target of £600,000.

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How is GXO being pitched to investors?

GXO was spun off on 2 August 2021 and is being marketed to investors as an asset-light business (it owns almost no actual warehouses) that uses smart workforce management platforms and the growing deployment of advanced automation and robotics to drive profitability and guard against, what the company calls, 'wage inflation.' In addition to its existing contracts, management expects the company to be able to capitalize on its technology to gain market share in the rapidly growing market of contract logistics. However, with GXO also warning investors about the risks to profitability from union organising, minimum wage policies and any rise in labour costs, it is not clear how GXO will live up to XPO's current mantra that "our difference is our people ... we are a culture committed to people" and "we are XPO" as it tries to deliver value to shareholders

Will GXO be profitable?

If GXO had operated as an independent company in 2020, it would have posted a net loss of around $20 million; however, GXO's profitability is expected to have improved significantly in 2021. Nevertheless, GXO warns investors that it intends to take on significant debt (circa $800 million) as part of the spin-off, the proceeds from which will be transferred to XPO.

Interestingly, whilst CEO Bradley Jacobs is responsible for spearheading the spin-off and has publicly championed the move, expressing his belief and confidence in GXO's success he recently sold approximately $500 million of his personal shares in XPO

Will there be any job losses?

Whilst XPO have not announced job losses due to the spin-off, it is hard to see how their vision for 'more automation', 'transformation through the technology' and 'investment in building intelligent robots' could not impact jobs. Unions in the UK have reported that logistics roles in finance and HR have begun to be centralised. It is essential GXO workers and their unions are included in decision making on the introduction of new technology. Collective Bargaining Agreements must include clauses negotiated for a Just Transition. Any introduction of new technology must also be subject to labour, gender & Occupational Safety and Health impact assessments with trade union participation.

On the investor page of its website GXO states:

*"Warehouses are becoming increasingly **automated** for speed, cost-efficiency and safety. Applications of **robots**, cobots, goods-to-person systems, **automated** sortation and wearable technologies are transforming logistics. We're a global leader in integrating scalable software solutions for warehouse management, intelligent **automation**, predictive analytics, **labour productivity** and other capabilities valued by logistics customers. In 2020, we shipped about five times more product units using **robots** than we did in 2019."*

What will become of XPO?

XPO will continue to operate, but there are no guarantees that customers of combined services will continue to work with two separate sides of the business or look for alternatives. There is also no guarantee shareholders will continue to invest in a now much smaller company

What does it mean for industrial relations?

72% of GXO workers in Europe are covered by a Collective Bargaining Agreement, in the USA there are none. With so many US Workers not covered by a Collective Agreement (in part due to labour laws in the US not allowing unions access to talk to workers in the workplace) this effectively means cheaper labour supplied by the US workers could possibly put pressure on the pay negotiations in Europe