

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

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: 001-40470

GXO

GXO Logistics, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

Two American Lane

Greenwich, Connecticut

(Address of principal executive offices)

86-2098312

(I.R.S. Employer
Identification No.)

06831

(Zip Code)

(203) 489-1287

Registrant's telephone number, including area code

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 \$0.01 per share	GXO	New York Stock Exchange

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

As of October 29, 2021, there were 114,642,842 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

GXO Logistics, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended September 30, 2021
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GXO Logistics, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

<i>(In millions, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 1,974	\$ 1,584	\$ 5,678	\$ 4,429
Direct operating expense	1,651	1,297	4,725	3,685
Sales, general and administrative expense	171	157	519	467
Depreciation and amortization expense	85	83	259	246
Transaction-related costs (credits)	29	(2)	82	40
Restructuring costs	2	—	5	25
Operating income (loss)	36	49	88	(34)
Other income	(11)	—	(11)	(2)
Interest expense	5	6	16	18
Income (loss) before income taxes	42	43	83	(50)
Income tax expense (benefit)	(31)	20	(21)	2
Net income (loss)	73	23	104	(52)
Net income attributable to noncontrolling interests	(1)	(5)	(7)	(7)
Net income (loss) attributable to GXO	\$ 72	\$ 18	\$ 97	\$ (59)
Earnings per share data				
Basic earnings (loss) per share	\$ 0.63	\$ 0.16	\$ 0.84	\$ (0.51)
Diluted earnings (loss) per share	\$ 0.62	\$ 0.16	\$ 0.84	\$ (0.51)
Common shares outstanding				
Number of Basic shares outstanding	115	115	115	115
Number of Diluted shares outstanding	116	115	116	115

See accompanying notes to condensed consolidated financial statements.

GXO Logistics, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 73	\$ 23	\$ 104	\$ (52)
Other comprehensive income (loss), net of tax				
Foreign currency translation gain (loss), net of tax effect of \$(4), \$(1), \$(2) and \$(4)	\$ (12)	\$ 93	\$ (30)	\$ 45
Unrealized gain (loss) on financial assets/liabilities designated as hedging instruments, net of tax effect of \$—, \$—, \$(1) and \$—	—	—	(1)	2
Other comprehensive income (loss)	(12)	93	(31)	47
Comprehensive income (loss)	\$ 61	\$ 116	\$ 73	\$ (5)
Less: Comprehensive income attributable to noncontrolling interest	1	9	7	9
Comprehensive income (loss) attributable to GXO	<u>\$ 60</u>	<u>\$ 107</u>	<u>\$ 66</u>	<u>\$ (14)</u>

See accompanying notes to condensed consolidated financial statements.

GXO Logistics, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

<i>(In millions, except per share amounts)</i>	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 275	\$ 328
Accounts receivable, net of allowances of \$11 and \$18, respectively	1,391	1,224
Other current assets	292	284
Total current assets	1,958	1,836
Long-term assets		
Property and equipment, net of \$1,077 and \$922 in accumulated depreciation, respectively	851	770
Operating lease assets	1,790	1,434
Goodwill	2,042	2,063
Identifiable intangible assets, net of \$408 and \$373 in accumulated amortization, respectively	274	299
Other long-term assets	218	146
Total long-term assets	5,175	4,712
Total assets	\$ 7,133	\$ 6,548
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 496	\$ 415
Accrued expenses	1,008	784
Short-term borrowings and obligations under finance leases	40	58
Short-term operating lease liabilities	432	332
Other current liabilities	269	149
Total current liabilities	2,245	1,738
Long-term liabilities		
Long-term debt and obligations under finance leases	934	615
Deferred tax liability	56	54
Long-term operating lease liabilities	1,382	1,099
Other long-term liabilities	179	94
Total long-term liabilities	2,551	1,862
Commitments and contingencies		
Equity		
Common Stock, \$0.01 par value, 300 shares authorized; 115 shares issued and outstanding	1	—
Preferred Stock, \$0.01 par value, 10 shares authorized; — shares issued and outstanding	—	—
Additional paid-in capital	2,348	—
Retained earnings	70	—
XPO investment	—	2,765
Accumulated other comprehensive income (loss)	(123)	58
Total equity before noncontrolling interests	2,296	2,823
Noncontrolling interests	41	125
Total equity	2,337	2,948
Total liabilities and equity	\$ 7,133	\$ 6,548

See accompanying notes to condensed consolidated financial statements.

GXO Logistics, Inc.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

<i>(Shares in thousands, dollars in millions)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	XPO Investment	Accumulated Other Comprehensive Income (Loss)	Equity Before Noncontrolling Interests	Non- controlling Interests	Total Equity
	Shares	Amount							
Balance as of June 30, 2021	—	\$ —	\$ —	\$ —	\$ 2,835	\$ 39	\$ 2,874	\$ 40	\$ 2,914
Net income	—	—	—	70	2	—	72	1	73
Other comprehensive income	—	—	—	—	—	(12)	(12)	—	(12)
Share-based compensation	—	—	4	—	—	—	4	—	4
Exercise and vesting of stock compensation awards	10	—	—	—	—	—	—	—	—
Net transfers to XPO, including separation adjustments	—	—	—	—	(492)	(150)	(642)	—	(642)
Issuance of common stock and reclassification of XPO investment	114,626	1	2,344	—	(2,345)	—	—	—	—
Balance as of September 30, 2021	114,636	\$ 1	\$ 2,348	\$ 70	\$ —	\$ (123)	\$ 2,296	\$ 41	\$ 2,337

<i>(Shares in thousands, dollars in millions)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	XPO Investment	Accumulated Other Comprehensive Income (Loss)	Equity Before Noncontrolling Interests	Non- controlling Interests	Total Equity
	Shares	Amount							
Balance as of December 31, 2020	—	\$ —	\$ —	\$ —	\$ 2,765	\$ 58	\$ 2,823	\$ 125	\$ 2,948
Net income	—	—	—	70	27	—	97	7	104
Other comprehensive income	—	—	—	—	—	(31)	(31)	—	(31)
Share-based compensation	—	—	4	—	—	—	4	—	4
Exercise and vesting of stock compensation awards	10	—	—	—	—	—	—	—	—
Purchase of noncontrolling interest	—	—	—	—	—	—	—	(128)	(128)
Net transfers from (to) XPO, including separation adjustments	—	—	—	—	(447)	(150)	(597)	40	(557)
Issuance of common stock and reclassification of XPO investment	114,626	1	2,344	—	(2,345)	—	—	—	—
Other	—	—	—	—	—	—	—	(3)	(3)
Balance as of September 30, 2021	114,636	\$ 1	\$ 2,348	\$ 70	\$ —	\$ (123)	\$ 2,296	\$ 41	\$ 2,337

GXO Logistics, Inc.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

<i>(Shares in thousands, dollars in millions)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	XPO Investment	Accumulated Other Comprehensive Income (Loss)	Equity Before Noncontrolling Interests	Non- controlling Interests	Total Equity
	Shares	Amount							
Balance as of June 30, 2020	—	\$ —	\$ —	\$ —	\$ 2,621	\$ (110)	\$ 2,511	\$ 130	\$ 2,641
Net income	—	—	—	—	18	—	18	5	23
Other comprehensive income	—	—	—	—	—	89	89	4	93
Purchase of noncontrolling interests	—	—	—	—	(1)	—	(1)	(20)	(21)
Net transfers from XPO	—	—	—	—	88	—	88	—	88
Balance as of September 30, 2020	—	\$ —	\$ —	\$ —	\$ 2,726	\$ (21)	\$ 2,705	\$ 119	\$ 2,824

<i>(Shares in thousands, dollars in millions)</i>	Common Stock		Additional Paid-In Capital	Retained Earnings	XPO Investment	Accumulated Other Comprehensive Income (Loss)	Equity Before Noncontrolling Interests	Non- controlling Interests	Total Equity
	Shares	Amount							
Balance as of December 31, 2019	—	\$ —	\$ —	\$ —	\$ 2,633	\$ (66)	\$ 2,567	\$ 130	\$ 2,697
Net (loss) income	—	—	—	—	(59)	—	(59)	7	(52)
Other comprehensive income	—	—	—	—	—	45	45	2	47
Purchase of noncontrolling interests	—	—	—	—	(1)	—	(1)	(20)	(21)
Net transfers from XPO	—	—	—	—	153	—	153	—	153
Balance as of September 30, 2020	—	\$ —	\$ —	\$ —	\$ 2,726	\$ (21)	\$ 2,705	\$ 119	\$ 2,824

See accompanying notes to condensed consolidated financial statements.

GXO Logistics, Inc.
Condensed Consolidated Statements of Cash Flow
(Unaudited)

<i>(In millions)</i>	Nine Months Ended September 30,	
	2021	2020
Operating activities		
Net income (loss)	\$ 104	\$ (52)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation, amortization and net lease activity	259	246
Stock compensation expense	22	21
Deferred tax (benefit) expense	(47)	2
Other	(11)	5
Changes in assets and liabilities		
Accounts receivable	(118)	4
Other assets	(129)	41
Accounts payable	(8)	(63)
Accrued expenses and other liabilities	179	141
Net cash provided by operating activities	251	345
Investing activities		
Payment for purchases of property and equipment	(180)	(159)
Proceeds from sales of property and equipment	8	11
Purchase and sale of affiliate trade receivables, net	—	(15)
Other	32	—
Net cash used in investing activities	(140)	(163)
Financing activities		
Proceeds from issuance of debt	794	—
Net proceeds (repayments) related to trade securitization program	(21)	17
Repayment of debt and finance leases	(64)	(85)
Purchase of noncontrolling interests	(128)	(21)
Net transfers from (to) XPO	(774)	112
Other	28	5
Net cash provided by (used in) financing activities	(165)	28
Effect of exchange rates on cash, cash equivalents and restricted cash	1	(1)
Net increase (decrease) in cash, cash equivalents and restricted cash	(53)	209
Cash, cash equivalents, and restricted cash, beginning of period	328	200
Cash, cash equivalents, and restricted cash, end of period	\$ 275	\$ 409
Supplemental disclosure of cash flow information:		
Leased assets obtained in exchange for new operating lease liabilities, including \$281 related to an acquisition in 2021	\$ 792	\$ 290
Leased assets obtained in exchange of new finance lease liabilities, including \$23 related to an acquisition in 2021	39	62
Non-cash settlement of related party debt pursuant to the Separation	437	—
Cash paid for interest	20	24
Cash paid for income taxes	38	18

See accompanying notes to condensed consolidated financial statements.

GXO Logistics, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

GXO Logistics, Inc. (“GXO,” the “Company” or “we”) is the largest pure-play contract logistics provider in the world and a foremost innovator in the logistics industry. We provide high-value-add warehousing and distribution, order fulfillment and other supply chain services differentiated by our industry-leading ability to deliver technology-enabled, customized solutions. In addition, we are a major provider of reverse logistics, or returns management. We serve a broad range of ecommerce and retail customers across a range of industries, such as, consumer technology and manufacturing, food and beverage, consumer packaged goods and aerospace. We present our operations in the condensed consolidated financial statements as one reportable segment.

On August 2, 2021, XPO Logistics, Inc. (“XPO”) completed the previously announced spin-off of GXO (the “Separation”) in a transaction intended to be tax-free for U.S. federal income tax purposes, which was accomplished by the distribution of 100 percent of the outstanding common stock of GXO to XPO stockholders as of the close of business on July 23, 2021, the record date for the distribution. XPO stockholders received one share of GXO common stock for every share of XPO common stock held at the close of business on the record date. GXO is now a standalone publicly traded company. On August 2, 2021, regular-way trading of GXO’s common stock commenced on the New York Stock Exchange (“NYSE”) under the ticker symbol “GXO.”

The Separation was completed pursuant to the Separation and Distribution Agreement and various other agreements that govern aspects of our relationship with XPO, including, but not limited to a Transition Services Agreement (“TSA”), a Tax Matters Agreement (“TMA”), an Employee Matters Agreement (“EMA”) and an Intellectual Property License Agreement (“IPLA”). See Note 3—The Separation for additional details of the agreements executed in connection with the Separation.

2. Basis of Presentation

Prior to the Separation on August 2, 2021, our historical financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of XPO. On August 2, 2021, the Company became a standalone publicly traded company, and its financial statements are now presented on a consolidated basis. The unaudited financial statements for all periods presented, including the historical results of the Company prior to August 2, 2021, are now referred to as “Condensed Consolidated Financial Statements,” and have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by U.S. generally accepted accounting principles (“GAAP”) for complete consolidated financial statements are not included herein.

Prior to the Separation on August 2, 2021, all the assets and liabilities were reflected on a historical cost basis, as immediately prior to the Separation all of the assets and liabilities presented were wholly owned by XPO and were generally transferred to the Company at a carry-over basis.

Prior to the Separation on August 2, 2021 the Condensed Consolidated Statements of Operations included allocations of XPO costs and expenses including XPO’s corporate function which incurred a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. An allocation of these expenses is included to burden all business units comprising XPO’s historical operations, including GXO. The charges reflected have been either specifically identified or allocated using drivers including proportional adjusted earnings before interest, taxes, depreciation and amortization, which includes adjustments for transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The majority of these allocated costs are recorded in Sales, general and administrative expense (“SG&A”), Transaction-related costs and Depreciation and amortization expense in the Condensed Consolidated Statements of Operations. All charges and allocations for facilities, functions and services performed by XPO organizations have been deemed settled in cash by GXO to XPO in the period in which the cost was recorded on the Condensed Consolidated Statements of Operations.

For periods ended on or prior to August 2, 2021, we were a member of the XPO consolidated group and our U.S. taxable income was included XPO's consolidated U.S. federal income tax return as well as in tax returns filed by XPO with certain state and local taxing jurisdictions. Our foreign income tax returns are filed on a separate company basis. For periods ended prior to the Separation, our current and deferred income taxes have been computed and presented herein under the "separate return method" as if GXO were a separate tax paying entity.

Use of Estimates

We prepared estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions, particularly in light of the outbreak of a strain of coronavirus, COVID-19. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year.

In the Company's opinion, all adjustments necessary for a fair statement of these interim statements have been included and are of a normal and recurring nature. These interim statements should be read in conjunction with the audited financial statements and notes thereto included in GXO's Registration Statement on Form 10.

Adoption of New Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This guidance is intended to simplify 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 enhance consistency and comparability among reporting entities. We adopted this standard on January 1, 2021 on a prospective basis. The adoption did not have a material effect on our condensed consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, "Reference rate reform (Topic 848): Facilitation of the effects of reference rate reform on financial reporting." The ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The amendments are elective and are effective upon issuance through December 31, 2022. We intend to apply this guidance when modifications of contracts that include LIBOR occur, which is not expected to have a material impact on our consolidated financial statements.

3. The Separation

The Separation and Distribution Agreement contains provisions that, among other things, relate to (i) assets, liabilities and contracts to be transferred, assumed and assigned to each of GXO and XPO as part of the Separation, (ii) cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of GXO's business with GXO and financial responsibility for the obligations and liabilities of XPO's remaining business with XPO, (iii) the allocation among GXO and XPO of rights and obligations under existing insurance policies with respect to occurrences prior to completion of the Separation, and (iv) procedures governing the resolution of disputes, controversies or claims that may arise between GXO and XPO related to the Separation or distribution.

Under the TSA, (i) XPO will provide GXO and certain of its affiliates, on an interim, transitional basis, various services and (ii) GXO will provide XPO and certain of its affiliates, on an interim, transitional basis, various services. The services to be provided include, treasury administration, employee benefits administration, information technology services, regulatory services, general administrative services and other support services. The services generally commenced on the date of the Separation and will terminate no later than twelve months following the distribution date.

XPO and GXO entered into a TMA that governs the parties' respective rights, responsibilities and obligations with respect to tax matters; including responsibility for taxes, entitlement to refunds, allocation of tax attributes, preparation of tax returns, control of tax contests and other tax matters. GXO is generally responsible for federal, state and foreign income taxes (i) imposed on a separate return basis on GXO or any of its subsidiaries or (ii) imposed on a consolidated or combined return basis with respect to audit or other adjustments attributable to GXO or any of its subsidiaries, in each case, with respect to taxable periods, or portions thereof, that ended on or prior to the Separation. The TMA provides special rules that allocate responsibility for tax liabilities arising from a failure of the Separation transactions to qualify for tax-free treatment based on the reasons for such failure. The TMA also imposes restrictions on GXO during the two-year period following the Separation that are intended to prevent the Separation and certain related transactions from failing to qualify as transactions that are generally tax-free.

The EMA allocates assets, liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the Separation.

The IPLA provides the parties with reciprocal, non-exclusive licenses under certain intellectual property rights transferred to GXO and certain intellectual property rights retained by XPO to provide the parties freedom to operate their respective businesses.

In connection with the Separation, GXO became the plan sponsor for the United Kingdom ("the U.K.") defined benefit pension plan and these condensed consolidated financial statements reflect the periodic benefit costs and funded status of such plan. GXO recognized a net asset of £26 million (\$36 million), reflecting the plan assets and projected benefit obligation. The Company uses December 31 as the year-end measurement date for this plan. See Note 10—Pension for further detail.

In connection with the Separation, all related party debt with our North American and European subsidiaries GXO was settled and are no longer reflected on the Condensed Consolidated Balance Sheet. In June 2021, we entered into a five-year, unsecured, multi-currency revolving credit facility (the "Revolving Credit Facility"). Initially, the Revolving Credit Facility provides commitments of up to \$800 million, of which \$60 million will be available for the issuance of letters of credit. In July 2021, the Company completed an offering of \$800 million aggregate principal amount of notes, consisting of \$400 million of notes due 2026 (the "2026 Notes") and \$400 million of notes due 2031 (the "2031 Notes", and together with the 2026 Notes, the "Notes"). The net proceeds from the sale of the Notes were used to fund a cash payment to XPO of \$794 million in connection with the Separation. See Note 8—Debt and Financing Arrangements for further detail.

In July 2021, in connection with the Separation, XPO's existing trade receivable securitization program was amended; the previous €400 million program is now comprised of two separate €200 million programs, one of which remains with GXO and expires in July 2024. See Note 8—Debt and Financing Arrangements for details.

In August 2021, we amended certain legal entity structures and transferred assets pursuant to a legal entity restructuring plan. In connection with the restructuring, we intend to enter into certain agreements to license the right to use trademarks, trade names and other intellectual property related to the GXO brand to our non-U.S. affiliates. During the third quarter of 2021, the Company recorded a positive income tax adjustment of \$42 million along with a corresponding increase to its net deferred tax assets. This one-time adjustment results from agreements by GXO's non-U.S. affiliates to license the rights to use trademarks, trade names, and other intellectual property related to the GXO brand. Also in connection with legal entity restructuring, we expect a one-time cash tax payment of approximately \$20 million payable in the fourth quarter.

4. Acquisitions

European Acquisition

In January 2021, we acquired the majority of Kuehne + Nagel's contract logistics operations in the U.K., which generated annual revenues of approximately £450 million (\$585 million) in 2020. The operations provide a range of logistics services, including inbound and outbound distribution, reverse logistics management and inventory management. We have recorded preliminary estimates for the fair value of assets and liabilities assumed, including

approximately \$300 million of operating lease assets and operating lease liabilities. Pro forma results of operations for this acquisition have not been presented as it is not material to the condensed consolidated results of operations.

GXO Logistics Europe Purchase

Our historical results reflect a noncontrolling interest in GXO Logistics Europe SAS, previously XPO Logistics Europe SAS (“XPO Logistics Europe”). We acquired majority ownership of GXO Logistics Europe in 2015. In the third quarter of 2020, we purchased shareholders’ noncontrolling interests in GXO Logistics Europe for €17 million (\$21 million). The portion of the purchased noncontrolling interest that is not attributable to GXO has been recorded as a transfer to the XPO investment account. In the second quarter of 2021, we completed the purchase of the remaining 3% of XPO Logistics Europe that we did not already own at a cost of €108 million (\$128 million) and transferred €34 million (\$40 million) to XPO. Following this transaction, we own all of the outstanding shares of GXO Logistics Europe.

5. Revenue Recognition

We generate revenue by providing contract logistics services for our customers, including warehousing and distribution, order fulfillment, reverse logistics, packaging and labeling, factory and aftermarket support and inventory management ranging from a few months to several years. The vast majority of our contracts with customers include one performance obligation. We generally recognize revenue over time as we perform the services in the contract because of the continuous transfer of control over the services we perform for our customer.

Disaggregation of Revenues

We disaggregate our revenue by geographic area. Our revenue disaggregated by geographical area, based on sales office location, was as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
United Kingdom	\$ 680	\$ 402	\$ 1,847	\$ 1,069
United States	599	551	1,734	1,596
France	181	174	551	466
Netherlands	159	131	464	357
Spain	117	108	358	304
Other	238	218	724	637
Total	\$ 1,974	\$ 1,584	\$ 5,678	\$ 4,429

Our revenue can also be disaggregated by various verticals, reflecting our customers’ principal industry sector. Our revenue disaggregated by industry sector was as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Ecommerce, omnichannel and consumer technology	\$ 979	\$ 800	\$ 2,827	\$ 2,179
Food and beverage	290	213	795	616
Consumer packaged goods	240	198	694	538
Other	465	373	1,362	1,096
Total	\$ 1,974	\$ 1,584	\$ 5,678	\$ 4,429

Contract Assets and Liabilities

Contract assets include costs we have incurred and capitalized in conjunction with customer contracts, which are primarily amortized to Direct operating expense on our Condensed Consolidated Statements of Operations over the contract term. As of September 30, 2021 and December 31, 2020, the Company had contract assets of \$145 million and \$66 million, respectively, recorded primarily within Other long-term assets on our Condensed Consolidated Balance Sheets. Contract assets primarily increased due to new contracts during the nine months ended September 30, 2021.

Contract liabilities include advance payments and billings in excess of revenue recognized. The activity for our contract liabilities, which is recorded within Other current liabilities and Other long-term liabilities on our Condensed Consolidated Balance Sheets, was as follows:

(In millions)

Balance as of December 31, 2020	\$ 97
Revenue recognized	(90)
Unearned revenue ⁽¹⁾	210
Foreign exchange and other	(6)
Balance as of September 30, 2021	\$ 211

(1) Includes \$82 million related to the Kuehne + Nagel acquisition. See Note 4—Acquisitions for further detail.

Remaining Performance Obligations

Remaining performance obligations relate to firm customer contracts for which services have not been performed and future revenue recognition is expected. As permitted in determining the remaining performance obligation, we omit obligations that have original expected durations of one year or less or contain variable consideration. On September 30, 2021, the fixed consideration component of our remaining performance obligations was approximately \$2.1 billion, and we expect to recognize approximately 67% of that amount over the next three years and the remainder thereafter. 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 generally include severance and facility-related costs, including impairment of operating lease assets, and are intended to improve our efficiency and profitability.

Our restructuring-related activity was as follows:

(In millions)

Balance as of December 31, 2020	\$ 20
Charges incurred ⁽¹⁾	5
Payments	(11)
Foreign exchange and other	(10)
Balance as of September 30, 2021	\$ 4

(1) Charges incurred are net of adjustments to previously recognized liabilities.

We expect the remaining restructuring liability at September 30, 2021, which primarily relates to severance, to be substantially paid within the next twelve months.

7. Leases

We determine if an arrangement is a lease at inception. For leases with terms greater than 12 months, 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. For most of our leases, the implicit rate cannot be readily determined and, as a result, we use the incremental borrowing rates at commencement date 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) from our initial measurement of the lease liability. We account for lease and non-lease components within a contract as a single lease component for our real estate leases.

Supplemental balance sheet information related to leases was as follows:

<i>(In millions)</i>	September 30, 2021	December 31, 2020
Operating leases:		
Operating lease assets ⁽¹⁾	\$ 1,790	\$ 1,434
Short-term operating lease liabilities	\$ 432	\$ 332
Operating lease liabilities	1,382	1,099
Total operating lease liabilities ⁽²⁾	<u>\$ 1,814</u>	<u>\$ 1,431</u>
Finance leases:		
Property and equipment, gross	\$ 234	\$ 199
Accumulated depreciation	(71)	(49)
Property and equipment, net ⁽³⁾	<u>\$ 163</u>	<u>\$ 150</u>
Short-term borrowings and current maturities of long-term debt	\$ 34	\$ 31
Long-term debt	140	127
Total finance lease liabilities ⁽³⁾	<u>\$ 174</u>	<u>\$ 158</u>

(1) Includes \$267 million related to the Kuehne + Nagel acquisition in 2021. See Note 4—Acquisitions for further detail.

(2) Includes \$257 million related to the Kuehne + Nagel acquisition in 2021. See Note 4—Acquisitions for further detail.

(3) Includes \$20 million related to the Kuehne + Nagel acquisition in 2021. See Note 4—Acquisitions for further detail.

The components of our lease expense were as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost	\$ 161	\$ 137	\$ 490	\$ 392
Short-term lease cost	20	13	57	38
Variable lease cost	18	17	55	48
Total operating lease cost	<u>\$ 199</u>	<u>\$ 167</u>	<u>\$ 602</u>	<u>\$ 478</u>
Finance lease cost:				
Amortization of leased assets	\$ 8	\$ 10	\$ 25	\$ 18
Interest on lease liabilities	2	1	4	3
Total finance lease cost	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 29</u>	<u>\$ 21</u>
Total lease cost	<u>\$ 209</u>	<u>\$ 178</u>	<u>\$ 631</u>	<u>\$ 499</u>

8. Debt and Financing Arrangements

The following table summarizes the carrying value of our debt:

<i>(In millions)</i>	September 30, 2021	December 31, 2020
1.65% Unsecured notes due 2026 ⁽¹⁾	\$ 396	\$ —
2.65% Unsecured notes due 2031 ⁽²⁾	396	—
Finance leases and other	177	161
Borrowings related to trade securitization program	5	26
Related-party debt	—	486
Total debt	974	673
Short-term borrowings and obligations under finance leases	40	58
Total long-term debt	\$ 934	\$ 615

(1) The carrying value of the 1.65% Notes due 2026 is presented net of unamortized debt issuance cost and discount of \$3.6 million as of September 30, 2021.

(2) The carrying value of the 2.65% Notes due 2031 is presented net of unamortized debt issuance cost and discount of \$3.9 million as of September 30, 2021.

Unsecured Notes

In July 2021, the Company completed an offering of \$800 million aggregate principal amount of notes, consisting of the 2026 Notes and the 2031 Notes.

The 2026 Notes bear interest at a rate of 1.65% per annum payable semiannually in cash in arrears on January 15 and July 15 of each year, beginning January 15, 2022, and maturing on July 15, 2026. The 2031 Notes bear interest at a rate of 2.65% per annum payable semiannually in cash in arrears on January 15 and July 15 of each year, beginning January 15, 2022, and maturing on July 15, 2031.

In the third quarter, we recognized \$8 million of debt discounts and issuance costs that were recorded as a direct reduction to the related debt instrument and will be amortized to interest expense over the life of the Notes.

At September 30, 2021, the Company was in compliance with the covenants of the indenture governing the Notes.

Related-Party Debt

In connection with the Separation, all related-party debt between the North American and European subsidiaries of GXO and XPO was settled and is no longer reflected on the Condensed Consolidated Balance Sheet. As of December 31, 2020, the Company had outstanding loan payables to XPO of \$486 million.

Revolving Credit Facility

In June 2021, we entered into a five-year Revolving Credit Facility. Initially, the Revolving Credit Facility provides commitments of up to \$800 million, of which \$60 million will be available for the issuance of letters of credit. Loans under the Revolving Credit Facility will bear interest at a fluctuating rate equal to: (i) with respect to borrowings in dollars, at GXO's option, the alternate base rate or the reserve-adjusted LIBOR, (ii) with respect to borrowings in Canadian dollars, the reserve-adjusted Canadian Dollar Offered Rate and, (iii) with respect to borrowings in Euros, the reserve-adjusted Euro Interbank Offered Rate, in each case, plus an applicable margin calculated based on GXO's credit ratings. The availability of the Revolving Credit Facility was subject to the Separation occurring.

The covenants in the Revolving Credit Facility, which are customary for financings of this type, limit our ability to incur indebtedness and grant liens, among other restrictions. In addition, the Revolving Credit Facility requires us to maintain a consolidated leverage ratio below a specified maximum.

There were no amounts outstanding under the Revolving Credit Facility as of September 30, 2021.

Trade Receivables Securitization and Factoring Programs

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We also sell certain European trade accounts receivable under a securitization program that contains financial covenants customary for this type of arrangement, including maintaining a defined average days sales outstanding ratio. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. The trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables. We use trade receivables securitization and factoring programs to help manage our cash flows.

Under the securitization program, one of our wholly owned subsidiaries, GXO Logistics Europe, participates in a trade receivables securitization program co-arranged by two European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of GXO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of GXO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and has been presented within these condensed consolidated financial statements based on our control of the entity's activities.

In July 2021, in connection with the Separation, XPO's existing trade receivable securitization program was amended; the previous €400 million (\$460 million) program is now comprised of two separate €200 million (\$230 million) programs, one of which remains with GXO and expires July 2024. As of July 2021, GXO's special purpose entity no longer purchases trade receivables from XPO. As of December 31, 2020, current assets include trade receivables purchased from XPO in connection with our trade receivables securitization program of \$105 million. The trade receivables that had been purchased from XPO prior to the Separation have been reflected within Other current assets in the Condensed Consolidated Balance Sheets.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Condensed Consolidated Balance Sheets at the date of transfer. In the securitization and factoring arrangements, our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial. Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables which are included in short-term debt on our Condensed Consolidated Balance Sheets until they are repaid in the following month's settlement.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Securitization programs				
Receivables sold in period	\$ 418	\$ 395	\$ 1,320	\$ 1,031
Cash consideration	418	395	1,320	1,031
Factoring programs				
Receivables sold in period	132	96	331	518
Cash consideration	132	96	331	517

9. Fair Value Measurements and Financial Instruments

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.

Assets and liabilities

We base our fair value estimates on market assumptions and available information. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and current maturities of long-term debt approximated their fair values as of September 30, 2021 and December 31, 2020 due to their short-term nature and/or being receivable or payable on demand.

Debt

The fair value of debt as of September 30, 2021 and December 31, 2020 was as follows:

(In millions)	September 30, 2021		December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
1.65% Unsecured notes due 2026 ⁽¹⁾	\$ 397	\$ 396	\$ —	\$ —
2.65% Unsecured notes due 2031 ⁽¹⁾	397	396	—	—
Related-party debt ⁽²⁾	—	—	486	486

(1) The fair value was estimated using market pricing for identical liabilities that are observable for substantially the full term of the liability and would be considered Level 2 in the fair value hierarchy.

(2) The fair value of the related-party debt is classified as a Level 3 within the fair value hierarchy. All related party loans were settled in connection with the Separation.

Financial Instruments

Prior to the Separation, XPO managed our exposure to risks arising from business operations and economic factors, including fluctuations in interest rates and foreign currencies. In connection with the Separation, XPO novated certain cross-currency swaps and options to GXO. As a result, GXO recorded \$28 million, net of tax, in accumulated other comprehensive loss. Following the Separation, we directly manage our exposure 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. GXO does not expect to incur any losses as a result of counterparty default.

Derivatives

The company presents the fair value of its derivative assets and liabilities on a gross basis. The fair value of our derivative instruments and the related notional amounts were as follows:

(In millions)	September 30, 2021		
	Notional Amount	Balance Sheet Caption	Fair Value
Derivatives designated as hedges			
Liabilities:			
Cross-currency swap agreements	\$ 328	Other current liabilities	\$ 9
Cross-currency swap agreements	165	Other long-term liabilities	7
Derivatives not designated as hedges			
Assets:			
Foreign currency option contracts	\$ 106	Other current assets	\$ 2

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. There were no derivative instruments on the Company's Condensed Consolidated Financial Statements as of December 31, 2020.

The effect of derivative instruments designated as hedges on our Condensed Consolidated Statements of Operations was as follows:

(In millions)	Three Months Ended September 30, 2021		
	Gain (loss) on Derivatives Recognized in OCI	Gain (loss) Reclassified from AOCI into Net Income (Loss)	Gain (loss) Recognized in Net Income (Loss) on Derivatives
Derivatives designated as net investment hedges			
Cross-currency swap agreements ⁽¹⁾	\$ 11	\$ 1	\$ 1
Total	\$ 11	\$ 1	\$ 1

(1) Includes gains and losses for transactions occurring after the Separation.

(In millions)	Nine Months Ended September 30, 2021		
	Gain (loss) on Derivatives Recognized in OCI	Gain (loss) Reclassified from AOCI into Net Income (Loss)	Gain (loss) Recognized in Net Income (Loss) on Derivatives
Derivatives designated as net investment hedges			
Cross-currency swap agreements ⁽¹⁾	\$ 11	\$ 1	\$ 1
Total	\$ 11	\$ 1	\$ 1

(1) Includes gains and losses for transactions occurring after the Separation.

The pre-tax gain (loss) recognized in earnings for foreign currency option and forward contracts not designated as hedging instruments was a gain of \$1 million for the three and nine months ended September 30, 2021, respectively. These amounts are recorded in Other income on our Condensed Consolidated Statements of Operations.

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-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-annual 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 Euro 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 2026.

We designated these cross-currency swaps as qualifying hedging instruments and account for them as net investment hedges. We apply the critical terms match 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 Accumulated other comprehensive income ("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 Condensed Consolidated Statements of Cash Flows.

Foreign Currency Options

We use foreign currency option contracts to mitigate the risk of a reduction in the value of earnings from our operations that use the Euro or the British pound sterling as their functional currency. The foreign currency option contracts were not designated as qualifying hedging instruments as of September 30, 2021. 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 Other income on our Condensed Consolidated Statements of Operations. Cash flows related to the foreign currency contracts are included in Investing activities on our Condensed Consolidated Statements of Cash Flows, consistent with the nature and purpose for which these derivatives were acquired.

10. Pension

Prior to the Separation, GXO participated in XPO's defined pension plan for eligible employees in the U.K., which did not allow for new plan participants or additional benefit accruals. The defined benefit pension plan was historically measured 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. The funded status of the defined benefit pension plans was calculated as the difference between the projected benefit obligation and the fair value of plan assets.

In connection with the Separation, GXO became the plan sponsor for the defined benefit pension plan and these condensed consolidated financial statements reflect the periodic benefit costs and funded status of the plan. In connection with the Separation, GXO recognized a net asset of £26 million (\$36 million), reflecting the plan assets and projected benefit obligation and accumulated other comprehensive loss of £60 million (\$82 million). This was comprised of £1.0 billion (\$1.4 billion) of plan assets and £1.0 billion (\$1.4 billion) of projected obligations associated with the plan. The majority of the plan assets transferred to GXO are fixed income securities including government bonds and debt instruments which are primarily classified as Level 2 in the fair value hierarchy. There are no unfunded commitments or redemption restrictions related to these investments.

The net periodic benefit cost is recorded within Other income on the Condensed Consolidated Statement of Operations and consisted of £7 million (\$10 million) for the three and nine months ended September 30, 2021. Contributions to the pension plan are not expected to be material in the fourth quarter of 2021.

11. Earnings per Share

Prior to the Separation, GXO employees participated in XPO's equity incentive plan, pursuant to which they were granted restricted stock units, performance-based restricted stock units and non-qualified or incentive stock options. All awards granted under these plans related to XPO common shares. Upon the Separation, outstanding awards held by GXO employees were converted in accordance with the EMA. Depending on whether the awards held on the Separation date were in an unvested or vested status, GXO employees either received converted awards solely in GXO based shares (unvested status) or a combination of GXO and XPO shares (vested status). The conversion methodology used was calculated in accordance with the EMA and with the purpose of maintaining the aggregate intrinsic value of the award immediately after the Separation when compared to the aggregate intrinsic value immediately prior to the Separation.

On August 2, 2021, the date of the Separation, 114,626,250 shares of common stock of GXO were distributed to XPO shareholders of record as of the record date. This share amount is utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Separation. For periods prior to the Separation, it is assumed that there are no dilutive equity instruments as there were no equity awards of GXO outstanding prior to the Separation. For periods subsequent to the Separation, diluted earnings per share is computed by giving effect to all potentially dilutive stock awards that are outstanding. The computation of diluted earnings per share excludes the effect of the potential exercise of stock-based awards, when the effect of the potential exercise would be anti-dilutive. Stock options and restricted stock units of 1.2 million were excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2021 because their inclusion would have been anti-dilutive.

The computations of basic and diluted earnings (loss) per share were as follows:

<i>(In millions, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income (loss) attributable to common shares	\$ 72	\$ 18	\$ 97	\$ (59)
Basic weighted-average common shares	115	115	115	115
Diluted effect of stock-based awards and warrants	1	—	1	—
Diluted weighted-average common shares	116	115	116	115
Basic earnings (loss) per share	\$ 0.63	\$ 0.16	\$ 0.84	\$ (0.51)
Diluted earnings (loss) per share	\$ 0.62	\$ 0.16	\$ 0.84	\$ (0.51)

12. Related Party

Prior to the Separation, the Company did not operate as a standalone business and the consolidated financial statements were derived from the consolidated financial statements and accounting records of XPO. Transactions between the Company and XPO, and other non-GXO subsidiaries of XPO, that occurred prior to the Separation have been classified as related-party transactions. Transactions that originated with XPO prior to the Separation were cash settled or forgiven as of August 2, 2021. For amounts that were forgiven, the amounts have been recorded as an adjustment to XPO Investment.

Allocation of General Corporate Expenses

The Condensed Consolidated Statements of Operations include expenses for certain centralized functions and other programs provided and/or administered by XPO that were charged directly to the Company prior to the Separation. In addition, for purposes of preparing these condensed consolidated financial statements, a portion of XPO's total corporate expenses was allocated to the Company. See Note 2—Basis of Presentation for a discussion of the methodology used to allocate such costs for purposes of preparing these condensed consolidated financial statements.

Costs of \$28 million and \$185 million for the three and nine months ended September 30, 2021, respectively, and costs of \$47 million and \$173 million for the three and nine months ended September 30, 2020, respectively, have been reflected in SG&A, Transaction-related costs and Depreciation and amortization in our Condensed Consolidated Statements of Operations for our allocated share of XPO's corporate overhead. These amounts may not reflect the costs GXO would have incurred had the Company been a standalone entity during the periods presented.

Transactions with XPO and its non-GXO Subsidiaries

Revenue and costs generated from related parties for the three and nine months ended September 30, 2021 and September 30, 2020 were as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 1	\$ 2	\$ 8	\$ 8
Costs	16	31	80	84

Balances with XPO and its non-GXO Subsidiaries

In connection with the Separation, GXO related-party amounts on our Condensed Consolidated Balance Sheets were cash settled or forgiven as of August 2, 2021. Assets and liabilities on the Condensed Consolidated Balance Sheets included the following related-party amounts as of December 31, 2020:

<i>(In millions)</i>	December 31, 2020
Amounts due from XPO and its affiliates	
Trade receivables ⁽¹⁾	\$ 9
Other current assets ⁽²⁾	2
Other long-term assets ⁽³⁾	53
Amounts due to XPO and its affiliates	
Trade payables ⁽⁴⁾	20
Other current liabilities ⁽⁵⁾	11
Accrued expenses ⁽⁶⁾	2
Loans payable ⁽⁷⁾	486

(1) Primarily represents trade receivables generated from revenue with XPO.

(2) Primarily relates to interest receivable from loans receivable from XPO.

(3) Represents loans receivable from XPO.

(4) Represents trade payables due to XPO.

(5) Primarily relates to facility expense and taxes payable due to XPO.

(6) Represents accrued interest on loans due to XPO.

(7) Represents loans due to XPO. See Note 8—Debt and Financing Arrangements for further information.

13. Commitments and Contingencies

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 personal injury claims arising from the transportation and handling of goods, contractual disputes and employment-related claims, including alleged violations of wage and hour laws.

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 are deemed sufficient to cover potential legal claims arising in the normal course of conducting our operations. 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.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q 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,” “should,” “will,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “target” 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 Quarterly 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 Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the audited Combined Financial Statements and corresponding notes included in the Form 10 declared effective on July 21, 2021 (the “Form 10”).

Business Overview

GXO Logistics, Inc. (“GXO”, the “Company” or “we”) is the largest pure-play contract logistics provider in the world and a foremost innovator in the logistics industry. We provide high-value-add warehousing and distribution, order fulfillment, ecommerce, reverse logistics, and other supply chain services differentiated by our ability to deliver technology-enabled, customized solutions at scale. Our revenue is diversified across numerous verticals and customers, including many multinational corporations.

Our customers rely on us to move their goods with high efficiency through their supply chains — from the moment inbound goods arrive at our logistics sites, through fulfillment and distribution and, in an increasing number of cases, the management of returned products. Our customer base includes many blue-chip leaders in sectors that demonstrate high growth or durable demand over time, with significant growth potential through customer outsourcing of logistics services.

We strive to provide all of our customers with consistently high levels of service and cutting-edge automation driven by our proprietary technology. We also collaborate with our largest customers on planning and forecasting, and provide assistance with network optimization, working with these customers to design or redesign their supply chains to meet specific goals, such as sustainability metrics. Our multidisciplinary, consultative approach has fostered many long-term, expanding relationships with key customers.

The most dramatic growth in secular demand for our services in recent years has been in ecommerce and related sectors, including omnichannel retail and other direct-to-consumer channels. As part of our growth strategy, we intend to develop additional business in consumer and other verticals where we already have deep expertise, prominent customer relationships and a strong track record of successful performance. We also intend to expand into new verticals by leveraging our capacity and technological strengths, and by marketing the benefits of our proprietary platform for warehouse operations. We use this technology to manage advanced automation, labor productivity, safety and the complex flow of goods within sophisticated logistics environments.

Our business model is historically asset-light and resilient in down cycles, with high returns, strong free cash flow and visibility into revenue and earnings. The vast majority of our contracts with customers are multi-year agreements, and our facility lease arrangements generally align with contract length. Most of our customer contracts contain both fixed and variable components. The fixed component is typically designed to cover facility, technology and equipment costs, and may cover management costs, while the variable component is based on actual volumes and associated labor costs.

The Separation

On August 2, 2021, XPO Logistics, Inc. (“XPO”) completed the previously announced spin-off of GXO (the “Separation”) in a transaction intended to be tax-free for U.S. federal income tax purposes, which was accomplished by the distribution of 100 percent of the outstanding common stock of GXO to XPO stockholders as of the close of business on July 23, 2021, the record date for the distribution. XPO stockholders received one share of GXO common stock for every share of XPO common stock held at the close of business on the record date. GXO is now a standalone publicly traded company. On August 2, 2021, regular-way trading of GXO’s common stock commenced on the New York Stock Exchange (“NYSE”) under the ticker symbol “GXO.”

The Separation was completed pursuant to the Separation and Distribution Agreement and various other agreements that govern aspects of our relationship with XPO, including, but not limited to a Transition Services Agreement (“TSA”), a Tax Matters Agreement (“TMA”), an Employee Matters Agreement (“EMA”) and an Intellectual Property License Agreement (“IPLA”). See Note 3—The Separation for additional details of the agreements executed in connection with the Separation.

Impacts of COVID-19

As a global provider of supply chain solutions, our business can be impacted to varying degrees by factors beyond our control. The rapid escalation of COVID-19 into a pandemic in 2020 affected, and may continue to affect, economic activity broadly and customer sectors served by our industry.

Our operating results and cash flows fluctuated as a result of changes due to the COVID-19 pandemic and the seasonality of our business during the three and nine months ended September 30, 2020, and to a lesser extent for the three and nine months ended September 30, 2021, as discussed below. Future operating results and cash flows may fluctuate due to these and other factors beyond our control, which may include the cost and availability of labor, the timely procurement of equipment, the impact of product component shortages for our customers, foreign exchange rate fluctuations, changes in government regulations, and economic changes in our operating regions. While we generally are able to pass cost increases through to our customers, inflation may affect our operating results and cash flows. The timing of these pass-through costs can vary and lag.

The totality of the actions we have taken, and continue to take, during the pandemic combined with the variable components of our cost structure, have mitigated the impact on our profitability relative to the impact on our revenue and volumes while our strong liquidity and disciplined capital management enable us to continue to invest in key growth initiatives.

However, due to the evolving nature of the COVID-19 pandemic and the efficacy and distribution of the vaccines, the extent of the impact of the pandemic on our industry and our business in particular remain difficult to predict. Furthermore, the extent and pace of a recovery remain uncertain and may differ significantly among the countries in which we operate. Our results of operations may continue to be impacted by the pandemic throughout 2021 and 2022.

Basis of Presentation

Prior to the Separation on August 2, 2021, our historical financial statements were prepared on a standalone combined basis and were derived from the consolidated financial statements and accounting records of XPO. On August 2, 2021, the Company became a standalone publicly traded company, and its financial statements are now presented on a consolidated basis. The unaudited financial statements for all periods presented, including the historical results of the Company prior to August 2, 2021, are now referred to as “Condensed Consolidated Financial Statements,” and have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by U.S. generally accepted accounting principles (“GAAP”) for complete consolidated financial statements are not included herein.

Prior to the Separation on August 2, 2021, all the assets and liabilities were reflected on a historical cost basis, as immediately prior to the Separation all of the assets and liabilities presented were wholly owned by XPO and were generally transferred to the Company at a carry-over basis.

Prior to the Separation on August 2, 2021 the Condensed Consolidated Statements of Operations included allocations of XPO costs and expenses including XPO’s corporate function which incurred a variety of expenses including, but not limited to, information technology, human resources, accounting, sales and sales operations, procurement, executive services, legal, corporate finance and communications. An allocation of these expenses is included to burden all business units comprising XPO’s historical operations, including GXO. The charges reflected have been either specifically identified or allocated using drivers including proportional adjusted earnings before interest, taxes, depreciation and amortization, which includes adjustments for transaction and integration costs, as well as restructuring costs and other adjustments, or headcount. The majority of these allocated costs are recorded in Sales, general and administrative expense (“SG&A”), Transaction-related costs and Depreciation and amortization expense in the Condensed Consolidated Statements of Operations. All charges and allocations for facilities, functions and services performed by XPO organizations have been deemed settled in cash by GXO to XPO in the period in which the cost was recorded on the Condensed Consolidated Statements of Operations.

For periods ended on or prior to August 2, 2021, we were a member of the XPO consolidated group and our U.S. taxable income was included XPO’s consolidated U.S. federal income tax return as well as in tax returns filed by XPO with certain state and local taxing jurisdictions. Our foreign income tax returns are filed on a separate company basis. For periods ended prior to the Separation, our current and deferred income taxes have been computed and presented herein under the “separate return method” as if GXO were a separate tax paying entity.

GXO has a single reportable segment.

Results of Operations

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 1,974	\$ 1,584	\$ 5,678	\$ 4,429
Direct operating expense	1,651	1,297	4,725	3,685
Sales, general and administrative expense	171	157	519	467
Depreciation and amortization expense	85	83	259	246
Transaction and integration costs	29	(2)	82	40
Restructuring costs	2	—	5	25
Operating income (loss)	<u>36</u>	<u>49</u>	<u>88</u>	<u>(34)</u>
Other income	(11)	—	(11)	(2)
Interest expense	5	6	16	18
Income (loss) before income taxes	<u>42</u>	<u>43</u>	<u>83</u>	<u>(50)</u>
Income tax expense (benefit)	(31)	20	(21)	2
Net income (loss)	<u>\$ 73</u>	<u>\$ 23</u>	<u>\$ 104</u>	<u>\$ (52)</u>

Revenue for the three months ended September 30, 2021 increased 24.6% to \$2.0 billion, compared with \$1.6 billion for the same period in 2020. Revenue for the nine months ended September 30, 2021 increased 28.2% to \$5.7 billion, compared with \$4.4 billion for the same period in 2020. For the three and nine months ended September 30, 2021, the increase in revenue compared to the same prior-year periods primarily reflects the reduced impact of COVID-19 in 2021. For the three and nine months ended September 30, 2021, our European operations reported growth of 34.1% and 40.2%, respectively, and our North American operations reported growth of 8.5% and 9.0%, respectively. Also impacting our revenue was the Kuehne + Nagel business we acquired in January 2021, which contributed approximately 16.3 and 15.8 percentage points, respectively, to revenue growth in our European operations and 10.3 and 9.7 percentage points, respectively, to our total revenue growth for the three and nine months ended September 30, 2021 compared to the same prior-year periods. Foreign currency movement increased revenue by approximately 2.2 and 5.1 percentage points for the three and nine months ended September 30, 2021, respectively.

Direct operating expenses are comprised of both fixed and variable expenses and consist of operating costs related to our logistics facilities, including personnel costs, facility and equipment expenses, such as rent, utilities, equipment maintenance and repair, transportation costs, costs of materials and supplies and information technology expenses. Direct operating expense for the three months ended September 30, 2021 was \$1.7 billion, or 83.6% of revenue, compared with \$1.3 billion, or 81.8% of revenue, for the same period in 2020. For the three months ended September 30, 2021, direct operating expenses increased by approximately 1.8% due to higher personnel and temporary labor expense. Direct operating expense for the nine months ended September 30, 2021 was \$4.7 billion, or 83.2% of revenue, compared with \$3.7 billion, or 83.2% of revenue. For the nine months ended September 30, 2021, direct operating expense as a percentage of revenue remained flat with the prior year period.

SG&A, including the allocated costs of XPO, primarily consists of salary and benefit costs for executive and certain administration functions, professional fees, facility costs other than those related to our logistics facilities, bad debt expense and legal costs. SG&A for the three months ended September 30, 2021 was \$171 million, or 8.7% of revenue, compared with \$157 million, or 9.9% of revenue, for the same period in 2020. SG&A for the nine months ended September 30, 2021 was \$519 million, or 9.1% of revenue, compared with \$467 million, or 10.5% of revenue, for the same prior-year period. For the three and nine months ended September 30, 2021, SG&A as a percentage of revenue benefited from the significant year-over-year increase in revenue as well as lower allocated costs from XPO.

Depreciation and amortization expense for the three months ended September 30, 2021 was \$85 million, compared with \$83 million for the same prior-year period. Depreciation and amortization expense for the nine months ended September 30, 2021 was \$259 million, compared with \$246 million for the same prior-year period. The increase was primarily due to the impact of prior capital investments associated with new contract startups. Depreciation and amortization expense included allocated corporate charges of \$1 million and \$7 million for the three months ended September 30, 2021 and 2020 and \$15 million and \$21 million for the nine months ended September 30, 2021 and 2020, respectively. Depreciation and amortization expense included amortization of acquisition-related intangible assets of \$16 million and \$15 million for the three months ended September 30, 2021 and 2020, respectively, and \$44 million and \$43 million for the nine months ended September 30, 2021 and 2020, respectively.

Transaction and integration costs for the three and nine months ended September 30, 2021 was \$29 million and \$82 million, respectively, are primarily related to costs related to the Separation. For the three and nine months ended September 30, 2020, transaction and integration costs are primarily related to costs allocated by XPO related to XPO's exploration of strategic alternatives in 2020.

We engage in restructuring actions as part of our ongoing efforts to best use our resources and infrastructure. For the three and nine months ended September 30, 2021, we recorded restructuring charges of \$2 million and \$5 million, respectively, primarily related to severance costs. For the three and nine months ended September 30, 2020, we recorded restructuring charges of \$5 million and \$25 million, respectively, primarily related to severance costs. Restructuring charges for the three and nine months ended September 30, 2021 included an adjustment to a previously recognized liability. For further information on our restructuring actions, see Note 6—Restructuring Charges.

Other income primarily includes pension income. In connection with the Separation, GXO became the plan sponsor for the U.K. defined benefit pension plan. See Note 10—Pension for further information. We recorded income of \$11 million for the three and nine months ended September 30, 2021. Other income was immaterial for the three months ended September 30, 2020 and was \$2 million for the nine months ended September 30, 2020.

Interest expense primarily relates to the Notes issued during the third quarter of 2021 and our related-party debt obligations with XPO prior to the Separation. Interest expense for the three months ended September 30, 2021 was \$5 million compared with \$6 million for the same period in 2020. Interest expense for the nine months ended September 30, 2021 was \$16 million compared with \$18 million for the same period in 2020.

Our effective tax rate for the three months ended September 30, 2021 and 2020 was (72.5)% and 49.0%, respectively, and (24.8)% and (5.0)% for the nine months ended September 30, 2021 and 2020, respectively. The effective tax rates for the third quarter of 2021 and 2020 were determined using an estimate of our annual effective tax rate, adjusted for discrete items that occurred within the periods presented. The changes in the effective tax rates for the three months ended September 30, 2021 compared with the same periods in 2020 were driven by a decrease in pre-tax losses in certain jurisdictions for which no benefit can be recognized and a discrete tax benefit of \$42 million from the initial recognition of a deferred tax asset in connection with the Separation.

Liquidity and Capital Resources

Prior to the Separation on August 2, 2021, the Company participated in XPO's centralized treasury model, which included its cash pooling and other intercompany financing arrangements. We have historically generated, and expect to continue to generate, positive cash flow from operations.

Our ability to fund our operations and anticipated capital needs is reliant upon the generation of cash from operations, supplemented as necessary by periodic utilization of our Revolving Credit Facility. Our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures, repayment of borrowings and strategic business development transactions. The timing and magnitude of our start ups can vary and may positively or negatively impact our cash flows.

We continually evaluate our liquidity requirements and capital structure 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.

Revolving Credit Facility

In June 2021, we entered into a five-year, unsecured, multi-currency revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility provides commitments of up to \$800 million, of which \$60 million will be available for the issuance of letters of credit.

There were no amounts outstanding under the Revolving Credit Facility as of September 30, 2021.

Unsecured Notes

In July 2021, the Company completed an offering of \$800 million aggregate principal amount of notes, consisting of \$400 million of notes due 2026 (the "2026 Notes") and \$400 million of notes due 2031 (the "2031 Notes", and together with the 2026 Notes, the "Notes").

The 2026 Notes bear interest at a rate of 1.65% per annum payable semiannually in cash in arrears on January 15 and July 15 of each year, beginning January 15, 2022, and mature on July 15, 2026. The 2031 Notes bear interest at a rate of 2.65% per annum payable semiannually in cash in arrears on January 15 and July 15 of each year, beginning January 15, 2022, and mature on July 15, 2031.

At September 30, 2021, the Company was in compliance with the covenants of the indenture governing the Notes.

Trade Receivables Securitization and Factoring Programs

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions under factoring agreements. We also sell certain European trade accounts receivable under a securitization program that contains financial covenants customary for this type of arrangement, including maintaining a defined average days sales outstanding ratio. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. The trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables. We use trade receivables securitization and factoring programs to help manage our cash flows.

Under the securitization program, one of our wholly owned subsidiaries, GXO Logistics Europe, participates in a trade receivables securitization program co-arranged by two European banks (the "Purchasers"). Under the program, a wholly-owned bankruptcy-remote special purpose entity of GXO Logistics Europe sells trade receivables that originate with wholly-owned subsidiaries of GXO Logistics Europe to unaffiliated entities managed by the Purchasers. The special purpose entity is a variable interest entity and has been presented within these condensed consolidated financial statements based on our control of the entity's activities.

In July 2021, in connection with the Separation, XPO's existing trade receivable securitization program was amended; the previous €400 million (\$460 million) program is now comprised of two separate €200 million (\$230 million) programs, one of which remains with GXO and expires July 2024. As of July 2021, GXO's special purpose entity no longer purchases trade receivables from XPO. As of December 31, 2020, current assets include trade receivables purchased from XPO in connection with our trade receivables securitization program of \$105 million. The trade receivables that had been purchased from XPO prior to the Separation have been reflected within Other current assets in the Condensed Consolidated Balance Sheets.

We account for transfers under our securitization and factoring arrangements as sales because we sell full title and ownership in the underlying receivables and control of the receivables is considered transferred. For these transfers, the receivables are removed from our Condensed Consolidated Balance Sheets at the date of transfer. In the securitization and factoring arrangements, our continuing involvement is limited to servicing the receivables. The fair value of any servicing assets and liabilities is immaterial. Our trade receivables securitization program permits us to borrow, on an unsecured basis, cash collected in a servicing capacity on previously sold receivables which are included in short-term debt on our Condensed Consolidated Balance Sheets until they are repaid in the following month's settlement.

Information related to the trade receivables sold was as follows:

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Securitization programs				
Receivables sold in period	\$ 418	\$ 395	\$ 1,320	\$ 1,031
Cash consideration	418	395	1,320	1,031
Factoring programs				
Receivables sold in period	132	96	331	518
Cash consideration	132	96	331	517

Financial Condition

The following table summarizes our asset and liability balances as of September 30, 2021 and December 31, 2020:

<i>(In millions)</i>	September 30, 2021	December 31, 2020
Total current assets	\$ 1,958	\$ 1,836
Total long-term assets	5,175	4,712
Total current liabilities	2,245	1,738
Total long-term liabilities	2,551	1,862

The increase in our assets and liabilities from December 31, 2020 to September 30, 2021 primarily reflects the impact of the Kuehne + Nagel business acquired in January 2021. Total long-term assets also reflects an increase in start-up costs and operating lease assets associated with our new contracts. Total long-term liabilities also reflects the settlement of related-party notes and issuance of the Notes during the third quarter.

Cash Flow Activity

Our cash flows from operating, investing and financing activities, as reflected on our Condensed Consolidated Statements of Cash Flows, are summarized as follows:

<i>(In millions)</i>	Nine Months Ended September 30,	
	2021	2020
Net cash provided by operating activities	\$ 251	\$ 345
Net cash used in investing activities	(140)	(163)
Net cash provided by (used in) financing activities	(165)	28
Effect of exchange rates on cash, cash equivalents and restricted cash	1	(1)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (53)	\$ 209

Operating Activities

Cash flows from operating activities for the nine months ended September 30, 2021 decreased by \$94 million compared with 2020. This reflects the impact of increased use of cash for working capital in 2021, partially offset by higher net income.

Investing Activities

Investing activities used \$140 million of cash for the nine months ended September 30, 2021, compared with \$163 million used for the same period of 2020. During the nine months ended September 30, 2021, we used \$180 million of cash to purchase property and equipment; and received \$8 million of cash from sales of property and equipment. During the nine months ended September 30, 2020, we used \$159 million of cash to purchase property and equipment; used \$15 million, net, in connection with the purchase and sale of affiliate trade receivables and received \$11 million of cash from sales of property and equipment.

We anticipate net capital expenditures to be between \$225 million and \$250 million in 2021, funded by cash on hand and available liquidity.

Financing Activities

Financing activities used \$165 million of cash for the nine months ended September 30, 2021. The primary uses of cash from financing activities for the nine months ended September 30, 2021 were to purchase the remaining noncontrolling interest in GXO Logistics Europe that we did not own for \$128 million, \$64 million used to repay debt and finance leases, \$21 million to repay borrowings related to our securitization program and \$774 million of

net transfers to XPO in connection with the Separation. The primary source of cash from financing activities for the nine months ended September 30, 2021 was the issuance of long-term debt of \$794 million.

Financing activities generated \$28 million of cash for the nine months ended September 30, 2020. The primary sources of cash from financing activities in the nine months ended September 30, 2020 were \$112 million of net transfers from XPO and \$17 million from net borrowings related to our securitization program. The primary uses of cash from financing activities in the nine months ended September 30, 2020 were \$85 million used to repay debt and finance leases and \$21 million to purchase a noncontrolling interest in GXO Logistics Europe.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financial arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

As of September 30, 2021, the Company's future contractual obligations have not materially changed as compared with December 31, 2020, except for the aggregate principal amount of indebtedness associated with the Notes of \$800 million and associated interest payments of \$17 million per year. See Note 8—Debt and Financing Arrangements for additional details.

Critical Accounting Policies

Our significant accounting policies, which include management's best estimates and judgments, are included in Note 2—Basis of Presentation to the combined financial statements for the year ended December 31, 2020 included in the Form 10. See Note 2—Basis of Presentation for information on the adoption of new accounting standards during 2021. A discussion of accounting estimates, considered critical because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates, are disclosed in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Form 10. There have been no significant changes in the Company's critical accounting estimates since December 31, 2020.

Recently Adopted Accounting Pronouncements and Accounting Pronouncements Not Yet Adopted

Information related to new accounting standards is included in Note 2—Basis of Presentation to the Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk disclosures involve 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 and foreign currency exchange rates.

Interest Rate Risk

Our long-term debt portfolio primarily consists of fixed-rate instruments complemented by a variable-rate revolving credit facility that can be drawn on from time to time. For any variable-rate debt, interest rate changes in the underlying index rates will impact future interest expense. Currently we do not hold any derivative contracts that hedge our interest rate risk, however we may consider entering into such contracts in the future. A 1% increase or decrease in interest rates would decrease or increase the fair value of our notes and debentures by approximately 6%.

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.

We entered into cross-currency swap agreements to manage our 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. 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 September 30, 2021, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of \$35 million. As of September 30, 2021, 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 the history of 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.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended as of September 30, 2021. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures as of September 30, 2021 were effective as of such time such that the information required to be included in our Securities and Exchange Commission ("SEC") reports is: (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to the Company, 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.

Prior to August 2, 2021, the Company relied on certain material processes and internal controls over financial reporting performed by XPO. There have not been any changes in our internal control over financial reporting during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 13—Commitments and Contingencies to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of our legal proceedings.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors previously disclosed under “Risk Factors” in the Form 10, except to note that the Separation was completed on August 2, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Separation and Distribution Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc., dated as of August 1, 2021, incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
3.1	<u>Amended and Restated Certificate of Incorporation of GXO Logistics, Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
3.2	<u>Second Amended and Restated Bylaws of GXO Logistics, Inc., incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
4.1	<u>Indenture, dated as of July 2, 2021, among GXO Logistics, Inc. and Wells Fargo Bank National Association, as Trustee, incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 3 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 7, 2021.</u>
4.2	<u>First Supplemental Indenture, dated as of July 2, 2021, among GXO logistics, Inc. and Wells Fargo Bank, National Association, as Trustee, incorporated by reference to Exhibit 4.2 to the Company's Amendment No. 3 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 7, 2021.</u>
4.3	<u>Registration Rights Agreement, dated July 2, 2021, by and among GXO Logistics, Inc. Barclays Capital Inc., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc. and Goldman Sachs & Co. LLC, incorporated by reference to Exhibit 4.3 to the Company's Amendment No. 3 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 7, 2021.</u>
4.4	<u>Registration Rights Agreement by and among Jacobs Private Equity, LLC and GXO Logistics, Inc., dated as of September 29, 2021, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on October 1, 2021.</u>
10.1	<u>Transition Services Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc., dated as of August 1, 2021, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.2	<u>Tax Matters Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc., dated as of August 1, 2021, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.3	<u>Employee Matters Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc., dated as of August 1, 2021, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.4	<u>Intellectual Property License Agreement by and between XPO Logistics, Inc. and GXO Logistics, Inc., dated as of July 30, 2021, incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.5+	<u>GXO Logistics, Inc. 2021 Omnibus Incentive Plan, incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.6+	<u>Form of Option Award Agreement under the GXO Logistics, Inc. 2021 Omnibus Incentive Compensation Plan, incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 10 (Commission file no. 001-40470) filed on June 9, 2021.</u>
10.7+	<u>GXO Logistics, Inc. Severance Plan, incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>
10.8+	<u>GXO Logistics, Inc. Cash Long-Term Incentive Plan, incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K (Commission file no. 001-40470) filed with the SEC on August 2, 2021.</u>

<u>Exhibit Number</u>	<u>Description</u>
10.9+	Service Agreement between XPO Supply Chain UK Limited and Karlis Kirsis, dated as of July 9, 2021, incorporated by reference to Exhibit 10.14 to the Company's Amendment No. 4 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 15, 2021.
10.10+	Pension Top Up Letter between XPO Logistics Europe and Karlis Kirsis, dated as of July 9, 2021, incorporated by reference to Exhibit 10.15 to the Company's Amendment No. 4 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 15, 2021.
10.11+	Offer Letter between XPO Logistics Europe and Karlis Kirsis, dated as of July 9, 2021, incorporated by reference to Exhibit 10.16 to the Company's Amendment No. 4 to the Registration Statement on Form 10 (Commission file no. 001-40470) filed on July 15, 2021.
10.12**	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2021 Omnibus Incentive Compensation Plan).
10.13**	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2021 Omnibus Incentive Compensation Plan).
10.14**	Offer Letter between GXO Logistics, Inc. and Elizabeth Fogarty, effective as of September 1, 2021.
31.1 *	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021.
31.2 *	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021.
32.1**	Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021.
32.2**	Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2021.
101.INS *	Inline XBRL Instance Document.
101.SCH *	Inline XBRL Taxonomy Extension Schema.
101.CAL *	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF *	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB *	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE *	Inline 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.

SIGNATURES

Pursuant to the requirements 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.

GXO LOGISTICS, INC.

Date: November 2, 2021

By: /s/ Malcolm Wilson
Malcolm Wilson
(Chief Executive Officer)

Date: November 2, 2021

By: /s/ Baris Oran
Baris Oran
(Chief Financial Officer)

RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE GXO LOGISTICS, INC. 2021 OMNIBUS INCENTIVE COMPENSATION PLAN, dated as of , 20 (the “Grant Date”), between GXO LOGISTICS, INC., a Delaware corporation (the “Company”), and .

This Restricted Stock Unit Award Agreement (this “Award Agreement”) sets forth the terms and conditions of an award of restricted stock units (this “Award”) that are subject to the terms and conditions specified herein (each such restricted stock unit, an “RSU”) and that are granted to you under the GXO Logistics, Inc. 2021 Omnibus Incentive Compensation Plan (the “Plan”). This Award provides you with the opportunity to earn, subject to the terms of this Award Agreement, shares of the Company’s Common Stock, \$0.01 par value (each, a “Share”), or cash, as set forth in Section 3 of this Award Agreement.

THIS AWARD IS SUBJECT TO ALL TERMS AND CONDITIONS OF THE PLAN INCLUDING THE PLAN RULES, THE GLOBAL APPENDIX AND THIS AWARD AGREEMENT, INCLUDING THE DISPUTE RESOLUTION PROVISIONS SET FORTH IN SECTION 10 OF THIS AWARD AGREEMENT. BY SIGNING YOUR NAME BELOW, YOU SHALL HAVE CONFIRMED YOUR ACCEPTANCE OF THE TERMS AND CONDITIONS OF THIS AWARD AGREEMENT.

SECTION 1. The Plan. This Award is made pursuant to the Plan and the global appendix document (the “Appendix”), all the terms of which are hereby incorporated in this Award Agreement. In the event of any conflict between the terms of the Plan on the one hand and the terms of this Award Agreement or the Appendix on the other, the terms of the Plan shall govern.

SECTION 2. Definitions. Capitalized terms used in this Award Agreement that are not defined in this Award Agreement have the meanings as used or defined in the Plan. As used in this Award Agreement, the following terms have the meanings set forth below:

“Business Day” means a day that is not a Saturday, a Sunday or a day on which banking institutions are legally permitted to be closed in the City of New York.

SECTION 3. Vesting and Settlement. Vesting. Except as otherwise provided herein, the RSUs shall vest on (the “Vesting Date”), provided that you continue to serve as a member of the Board of Directors of the Company (the “Board”) through and until the Vesting Date.

(b) Settlement of RSU Award. Within 30 days following the Vesting Date (the “Settlement Date”), the Company shall deliver to you or your legal representative either (x) one Share or (y) a cash payment equal to the Fair Market Value determined as of the Settlement Date of one Share, in each case, for each RSU that is scheduled to be settled on such date in accordance with the terms of this Award Agreement; provided

that, the Company shall have sole discretion to determine whether to settle such RSUs in Shares, cash or a combination thereof.

(c) Change of Control. In the event of a Change of Control, all outstanding RSUs shall accelerate vesting as of immediately prior to such Change of Control, in which case all outstanding RSUs shall be settled no later than the tenth (10th) day following the date of such Change of Control.

SECTION 4. Forfeiture of RSUs. Unless the Committee determines otherwise, if the Vesting Date with respect to the RSUs has not occurred prior to the date on which you cease to be a member of the Board for any reason, your rights with respect to such RSUs shall immediately terminate and you shall be entitled to no further payments or benefits with respect thereto.

SECTION 5. No Rights as a Stockholder. You shall not have any rights or privileges of a stockholder with respect to the RSUs subject to this Award Agreement unless and until Shares are actually issued in book-entry form to you or your legal representative in settlement of this Award.

SECTION 6. Non-Transferability of RSUs. Unless otherwise provided by the Committee in its discretion, RSUs may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered except as provided in Section 9(a) of the Plan. Any purported sale, assignment, alienation, transfer, pledge, attachment or other encumbrance of RSUs in violation of the provisions of this Section 6 and Section 9(a) of the Plan shall be void.

SECTION 7. Withholding, Consents and Legends. Withholding. Subject to applicable law, you shall be permitted to elect to have the Company retain from the Shares that would otherwise be delivered to you pursuant to the RSUs a number of Shares having a Fair Market Value that is sufficient to satisfy any Federal, state, local or foreign taxes that you reasonably estimate that you will be required to pay as a result of delivery to you of the Shares subject to the RSUs; provided, however, that in order for you to make any such election, not less than 10 Business Days prior to the date that the Shares would otherwise be deliverable to you, you must notify the Company in writing of your desire to exercise such election and such notice must include the percentage of the otherwise deliverable Shares that you would like the Company to withhold. Upon receipt of such notice, the Company shall be permitted to request from you information about how the relevant percentage was determined. In the event that the number of Shares that would be withheld pursuant to your election is not a whole number, such number shall be rounded down to the nearest whole Share. Within 15 Business Days following the Settlement Date, the Company will pay to you an amount in cash equal to the Fair Market Value (determined as of the Settlement Date) of the Shares that the Company withheld.

(b) Consents. Your rights in respect of the RSUs are conditioned on the receipt to the full satisfaction of the Committee of any required consents that the Committee may determine to be necessary or advisable (including your consent to the

Company's supplying to any third-party recordkeeper of the Plan such personal information as the Committee deems advisable to administer the Plan).

(c) Legends. The Company may affix to certificates for Shares issued pursuant to this Award Agreement any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under any applicable securities laws). The Company may advise the transfer agent to place a stop order against any legended Shares.

SECTION 8. Successors and Assigns of the Company. The terms and conditions of this Award Agreement shall be binding upon and shall inure to the benefit of the Company and its successors and assigns.

SECTION 9. Committee Discretion. The Compensation Committee of the Board shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award Agreement, and its determinations shall be final, binding and conclusive.

SECTION 10. Dispute Resolution, Jurisdiction and Venue. Any claim initiated by you arising out of or relating to this Agreement, or the breach thereof, shall be resolved by binding arbitration before a single arbitrator in the State of Delaware administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Except the extent that the Company seeks injunctive relief pursuant to an Employment Agreement (or other individual agreement between you and the Company), any claim initiated by the Company arising out of or relating to this Agreement, or the breach thereof, shall, at the election of the Company be resolved in accordance with this Section 10. You hereby irrevocably submit to the jurisdiction of any state or federal court located in the State of Delaware; provided, however, that nothing herein shall preclude the Company from bringing any suit, action or proceeding in any other court for the purposes of enforcing any judgment or award obtained by the Company. You waive, to the fullest extent permitted by applicable law, any objection which you now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in this Section 10, and agree that you shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any court. You agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in this Section 10 shall be conclusive and binding upon you and may be enforced in any other jurisdiction.

(b) Waiver of Jury Trial. You and the Company hereby waive, to the fullest extent permitted by applicable law, any right either of you may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Award Agreement or the Plan.

(c) Confidentiality. You hereby agree to keep confidential the existence of, and any information concerning, a dispute described in this Section 10, except that you may disclose information concerning such dispute to the court that is considering such dispute or to your legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of the dispute).

SECTION 11. Notice. All notices, requests, demands and other communications required or permitted to be given under the terms of this Award Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three Business Days after they have been mailed by U.S. certified or registered mail, return receipt requested, postage prepaid, addressed to the other party as set forth below:

If to the Company:

GXO Logistics, Inc.
Two American Lane
Greenwich, CT 06831
Attention: Chief Human Resources Officer

If to you:

To your address as most recently supplied to the Company and set forth in the Company's records

The parties may change the address to which notices under this Award Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 12. Governing Law. This Award Agreement shall be deemed to be made in the State of Delaware, and the validity, construction and effect of this Award Agreement in all respects shall be determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof.

SECTION 13. Headings and Construction. Headings are given to the Sections and subsections of this Award Agreement 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 this Award Agreement or any provision thereof. Whenever the words "include", "includes" or "including" are used in this Award Agreement, they shall be deemed to be followed by the words "but not limited to". The term "or" is not exclusive.

SECTION 14. Amendment of this Award Agreement. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Award Agreement prospectively or retroactively; provided, however, that, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair your rights under this Award Agreement shall not to that extent be

effective without your consent (it being understood, notwithstanding the foregoing proviso, that this Award Agreement and the RSUs shall be subject to the provisions of Section 7(c) of the Plan).

SECTION 15. Counterparts. This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. You and the Company hereby acknowledge and agree that signatures delivered by facsimile or electronic means (including by “pdf”) shall be deemed effective for all purposes.

SECTION 16. Currency Risk. You accept that if the Shares subject to your Award are traded in a currency which is not the currency of your jurisdiction, the value of the Shares may be affected by movements in the exchange rate. No member of the GXO group of companies is liable for any loss due to movements in the exchange rate or any charges imposed in relation to the conversion or transfer of money.

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement as of the date first written above.

GXO Logistics, Inc.

By:

Name: Maryclaire Hammond
Title: Chief Human Resources Officer

RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE GXO LOGISTICS, INC. 2021 OMNIBUS INCENTIVE COMPENSATION PLAN, dated as of [DATE], (the “Grant Date”), between GXO LOGISTICS, INC., a Delaware corporation (the “Company”), and [NAME].

This Restricted Stock Unit Award Agreement (this “Award Agreement”) sets forth the terms and conditions of an award of [#] restricted stock units (this “Award”) that are subject to the terms and conditions specified herein (each such restricted stock unit, an “RSU”) and that are granted to you under the GXO Logistics, Inc. 2021 Omnibus Incentive Compensation Plan (the “Plan”). This Award provides you with the opportunity to earn, subject to the terms of this Award Agreement, shares of the Company’s Common Stock, \$0.01 par value (each, a “Share”), or cash, as set forth in Section 3 of this Award Agreement.

THIS AWARD IS SUBJECT TO ALL TERMS AND CONDITIONS OF THE PLAN INCLUDING THE PLAN RULES, THE GLOBAL APPENDIX AND THIS AWARD AGREEMENT, INCLUDING THE DISPUTE RESOLUTION PROVISIONS SET FORTH IN SECTION 10 OF THIS AWARD AGREEMENT. BY ACCEPTING THIS AWARD, YOU SHALL HAVE CONFIRMED YOUR ACCEPTANCE OF THE TERMS AND CONDITIONS OF THIS AWARD AGREEMENT.

SECTION 1. The Plan. This Award is made pursuant to the Plan and the global appendix document (the “Appendix”), all the terms of which are hereby incorporated in this Award Agreement. In the event of any conflict between the terms of the Plan on the one hand and the terms of this Award Agreement or the Appendix on the other, the terms of the Plan shall govern.

SECTION 2. Definitions. Capitalized terms used in this Award Agreement that are not defined in this Award Agreement have the meanings as used or defined in the Plan. As used in this Award Agreement, the following terms have the meanings set forth below:

“Business Day” means a day that is not a Saturday, a Sunday or a day on which banking institutions are legally permitted to be closed in the City of New York.

“Cause” means your: (i) gross negligence or willful failure to perform your duties hereunder or willful refusal to follow any lawful directive of the officer to whom you report; (ii) abuse of or dependency on alcohol or drugs (illicit or otherwise) that adversely affects your performance of duties for the Company; (iii) commission of any fraud, embezzlement, theft or dishonesty, or any deliberate misappropriation of money or other assets of the Company; (iv) breach of any term of any Employment Agreement to which you may be party or any agreement governing long-term incentive compensation or equity compensation to which you may be party or breach of your fiduciary duties to the Company; (v) failure to provide the Company with at least 30 days’ advanced written notice of your intention to resign; (vi) any willful act, or failure to

act, in bad faith to the detriment of the Company; (vii) willful 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 your cooperation; (viii) failure to follow Company's code of conduct or ethics policy, and (ix) conviction of, or plea of nolo contendere to, a felony or any serious crime; provided that, the Company will provide you with written notice describing the facts and circumstances that the Company believes constitutes Cause and, in cases where cure is possible, you shall first be provided a 15-day cure period. If, subsequent to your termination of employment for any reason other than by the Company for Cause, it is determined in good faith by the Chief Executive Officer of the Company that your employment could have been terminated by the Company for Cause, your employment shall, at the election of the Chief Executive Officer of the Company at any time up to two years after your termination of employment but in no event more than six months after the Chief Executive Officer of the Company learns of the facts or events that could give rise to the termination for Cause, be deemed to have been terminated for Cause retroactively to the date the events giving rise to Cause occurred.

“Employment Agreement” means any individual offer letter or employment agreement between you and the Company or any of its Subsidiaries.

“Good Reason” means, without first obtaining your written consent: (i) a material reduction of your annual base salary from that in effect immediately prior to the Change in Control (or if higher, that in effect at any time thereafter), other than pursuant to a general reduction in annual base salary that applies on a uniform basis to all employees of the Company or an Affiliate (if you are an employee of an Affiliate) who are similarly situated to you; (ii) a material reduction in your target annual cash bonus opportunity from that in effect immediately prior to the Change in Control (or, if higher, that in effect at any time thereafter); or (iii) a material, adverse change in your title, reporting relationship, authority, duties, or responsibilities from those in effect immediately prior to the Change in Control; provided that, the Company shall first be provided a 30-day cure period (the “Cure Period”), following receipt of written notice setting forth in reasonable detail the specific event, circumstance or conduct of the Company that constitutes Good Reason, to cease, and to cure, any event, circumstance or conduct specified in such written notice, if curable; provided further, that such notice shall be provided to the Company within 45 days of the occurrence of the event, circumstance or conduct constituting Good Reason. If, at the end of the Cure Period, the event, circumstance or conduct that constitutes Good Reason has not been remedied, you will be entitled to terminate employment for Good Reason during the 30-day period that follows the end of the Cure Period. If you do not terminate employment during such 30-day period, you will not be permitted to terminate employment for Good Reason as a result of such event, circumstance or conduct.

“Settlement Date” means the tenth (10th) day following the earliest of (i) the applicable Vesting Date; (ii) the date of your termination of employment; or (iii) a Change of Control.

“Vesting Date” means the date on which the service requirement set forth in Section 3(a) of this Award Agreement is met.

SECTION 3. Vesting and Settlement. Regularly Scheduled Settlement. Except as otherwise provided in this Award Agreement, you will vest in the number of RSUs that corresponds to such Vesting Date, as specified in the table below, subject to your continued employment through each such Vesting Date.

###VEST_SCHEDULE_TABLE###

(b) Termination of Employment. Notwithstanding anything to the contrary in this Award Agreement or the Plan:

(i) if your employment terminates by reason of your death, all outstanding RSUs shall vest in full immediately;

(ii) if your employment is terminated by the Company for Cause or if you resign for any reason, all unvested RSUs shall be immediately forfeited;

(iii) if your employment terminates for any reason not described in clauses (i) or (ii), (A) you shall vest in a number of RSUs, solely with respect to the RSUs scheduled and eligible to vest on the Vesting Date immediately following the date of termination, equal to the product of (x) the number of such RSUs scheduled and eligible to vest on the Vesting Date immediately following the date of termination and (y) a fraction, the numerator of which is the number of days from the Vesting Date immediately preceding the date of termination (or, if such termination is after the Grant Date but prior to the first Vesting Date, the Grant Date) through the date of termination of your employment and the denominator of which is the number of days from the Vesting Date immediately preceding the date of termination (or, if such termination is after the Grant Date but prior to the first Vesting Date, the Grant Date) through the Vesting Date immediately following the date of termination, and (B) the remainder of the RSUs shall be forfeited.

(c) Change of Control. In the event that your employment is terminated by the Company without Cause or by you for Good Reason at any time following a Change of Control, all outstanding RSUs shall vest in full immediately.

(d) Settlement of RSU Award. On the Settlement Date, the Company shall deliver to you or your legal representative either (i) one Share or (ii) if not prohibited under the terms of the Appendix, a cash payment equal to the Fair Market Value determined as of the Settlement Date of one Share, in each case, for each RSU that has vested in accordance with the terms of this Award Agreement; provided that, subject to the foregoing, the Company shall have sole discretion to determine whether to settle such RSUs in Shares, cash or a combination thereof.

SECTION 4. Forfeiture of RSUs. If you (a) breach any restrictive covenant (which, for the avoidance of doubt, includes any non-compete, non-solicit, non-disparagement or confidentiality provisions) contained in any arrangements with the Company (including your Employment Agreement and your Confidential Information Protection Agreement) to which you are subject or (b) engage in fraud or willful misconduct that contributes materially to any financial restatement or material loss to the Company or any of its Subsidiaries, your rights with respect to the RSUs shall immediately terminate, and you shall be entitled to no further payments or benefits with respect thereto and, if the RSUs are vested and/or settled, the Company may require you to forfeit or remit to the Company any amount payable, or the after-tax net amount paid or received by you, in respect of any RSUs; provided, however, that (i) the Company shall make such demand that you forfeit or remit any such amount no later than six months after learning of the conduct described in this Section 4 and (ii) in cases where cure is possible, you shall first be provided a 15-day cure period to cease, and to cure, such conduct.

SECTION 5. No Rights as a Stockholder. You shall not have any rights or privileges of a stockholder with respect to the RSUs subject to this Award Agreement unless and until Shares are actually issued in book-entry form to you or your legal representative in settlement of this Award.

SECTION 6. Non-Transferability of RSUs. Unless otherwise provided by the Committee in its discretion, RSUs may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered except as provided in Section 9(a) of the Plan. Any purported sale, assignment, alienation, transfer, pledge, attachment or other encumbrance of RSUs in violation of the provisions of this Section 6 and Section 9(a) of the Plan shall be void.

SECTION 7. Withholding, Consents and Legends. Withholding. The delivery of Shares or cash pursuant to Section 3 of this Award Agreement is conditioned on satisfaction of any applicable withholding taxes in accordance with this Section 7(a) and Section 9(d) of the Plan. No later than the date as of which an amount first becomes includible in your gross income for Federal, state, local or foreign income tax purposes with respect to any RSUs, you shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local and foreign taxes that are required by applicable laws and regulations to be withheld with respect to such amount. In the event that there is withholding tax liability in connection with the settlement of the RSUs, the relevant entity may make any withholding arrangements that it considers necessary or desirable, including: (i) unless otherwise determined by the Committee, in its sole discretion, you may satisfy, in whole or in part, any withholding tax liability by having the Company withhold from the number of Shares or cash you would be entitled to receive upon settlement of the RSUs an amount in cash or a number of Shares having a Fair Market Value (which shall either have the meaning set forth in the Plan or shall have such other meaning as determined by the Company in accordance with applicable withholding requirements) equal to such withholding tax

liability; (ii) making any deductions from any cash payment owed to you; and/or (iii) unless otherwise determined by the Committee, making a sale on your behalf of some or all of the Shares to which you are entitled under the Plan in order to meet the liability to any Federal, state, local or foreign taxes and/or social security (and/or similar charges), any dealing or currency exchange costs and any other related costs. You agree to enter any tax elections as may be requested by any member of the GXO group of companies for particular tax and/or social security treatment, whether in respect of your Award or any Shares or cash acquired by you on the settlement of your Award.

(b) Consents. Your rights in respect of the RSUs are conditioned on the receipt to the full satisfaction of the Committee of any required consents that the Committee may determine to be necessary or advisable (including your consent to the Company's supplying to any third-party recordkeeper of the Plan such personal information as the Committee deems advisable to administer the Plan).

(c) Legends. The Company may affix to certificates for Shares issued pursuant to this Award Agreement any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which you may be subject under any applicable securities laws). The Company may advise the transfer agent to place a stop order against any legended Shares.

SECTION 8. Successors and Assigns of the Company. The terms and conditions of this Award Agreement shall be binding upon and shall inure to the benefit of the Company and its successors and assigns.

SECTION 9. Committee Discretion. The Compensation Committee of the Board shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award Agreement, and its determinations shall be final, binding and conclusive. You acknowledge that you are not automatically entitled to the exercise of any discretion under the Plan in your favour and you do not have any claim or right of action in respect of any decision, omission, or discretion which may operate to your disadvantage.

SECTION 10. Dispute Resolution, Jurisdiction and Venue. Any claim initiated by you arising out of or relating to this Agreement, or the breach thereof, shall be resolved by binding arbitration before a single arbitrator in the State of Delaware administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Except the extent that the Company seeks injunctive relief pursuant to an Employment Agreement (or other individual agreement between you and the Company), any claim initiated by the Company arising out of or relating to this Agreement, or the breach thereof, shall, at the election of the Company be resolved in accordance with this Section 10. You hereby irrevocably submit to the jurisdiction of any state or federal court located in the State of Delaware; provided, however, that nothing herein shall preclude the Company from bringing any suit, action or proceeding in any other court for the purposes of enforcing any judgment or award

obtained by the Company. You waive, to the fullest extent permitted by applicable law, any objection which you now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in this Section 10, and agree that you shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any court. You agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in this Section 10 shall be conclusive and binding upon you and may be enforced in any other jurisdiction.

(b) Waiver of Jury Trial. You and the Company hereby waive, to the fullest extent permitted by applicable law, any right either of you may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Award Agreement or the Plan.

(c) Confidentiality. You hereby agree to keep confidential the existence of, and any information concerning, a dispute described in this Section 10, except that you may disclose information concerning such dispute to the court that is considering such dispute or to your legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of the dispute).

SECTION 11. Employment. The grant of your Award does not form part of, and does not affect or change, your employment contract or your employment relationship with your employer. The grant of this Award granted is strictly discretionary and does not, in any way, form part of your normal remuneration. In particular, it will not be taken into account (except to the extent otherwise required by local law) in determining any other employment-related rights you may have, including without limitation rights in relation to severance, redundancy or end-of-service payments (whatever the reason for termination), bonuses, long-service awards, pension or retirement benefits. The decision to grant awards under the Plan is discretionary and (even if you are granted an award, or participate in the Plan on a regular or repeated basis) you have no automatic right or expectation in relation to: (i) participation in the Plan or similar compensation in future; (ii) the terms, conditions and amount of any Plan participation or similar compensation that the Company may decide to offer in future; or (iii) continued or future employment. The Company may at any time decide to cease offering awards under the Plan. In consideration for, and as a condition of your Award, you waive any and all rights to compensation or damages in consequence of the termination of your employment for any reason whatsoever insofar as those rights arise or may arise from you ceasing to have rights under, or be entitled to receive payment in respect of, the Plan as a result of such termination, or from the loss (actual or potential) or diminution in value of such rights or entitlements. This waiver applies whether or not such termination amounts to wrongful or unfair dismissal.

SECTION 12. Notice. All notices, requests, demands and other communications required or permitted to be given under the terms of this Award

Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three Business Days after they have been mailed by U.S. certified or registered mail, return receipt requested, postage prepaid, addressed to the other party as set forth below:

If to the Company:

GXO Logistics, Inc.
Two American Lane
Greenwich, CT 06831
Attention: Chief Human Resources Officer

If to you:

To your address as most recently supplied to the Company and set forth in the Company's records

The parties may change the address to which notices under this Award Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 13. Governing Law. This Award Agreement shall be deemed to be made in the State of Delaware, and the validity, construction and effect of this Award Agreement in all respects shall be determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles thereof.

SECTION 14. Headings and Construction. Headings are given to the Sections and subsections of this Award Agreement 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 this Award Agreement or any provision thereof. Whenever the words "include", "includes" or "including" are used in this Award Agreement, they shall be deemed to be followed by the words "but not limited to". The term "or" is not exclusive.

SECTION 15. Amendment of this Award Agreement. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Award Agreement prospectively or retroactively; provided, however, that, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair your rights under this Award Agreement shall not to that extent be effective without your consent (it being understood, notwithstanding the foregoing proviso, that this Award Agreement and the RSUs shall be subject to the provisions of Section 7(c) of the Plan).

SECTION 16. Counterparts. This Award Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. You and the Company hereby acknowledge and agree that signatures delivered by facsimile or electronic means (including by "pdf") shall be deemed effective for all purposes.

SECTION 17. Section 280G. Notwithstanding anything in this Award Agreement to the contrary and regardless of whether this Award Agreement has otherwise expired or terminated, unless otherwise provided in your Employment Agreement, in the event that any payments, distributions, benefits or entitlements of any type payable to you (“CIC Benefits”) (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) but for this paragraph would be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then your CIC Benefits shall be reduced to such lesser amount (the “Reduced Amount”) that would result in no portion of such benefits being subject to the Excise Tax; provided that such amounts shall not be so reduced if the Company determines, based on the advice of Golden Parachute Tax Solutions LLC, or such other nationally recognized certified public accounting firm as may be designated by the Company (the “Accounting Firm”), that without such reduction you would be entitled to receive and retain, on a net after tax basis (including, without limitation, any excise taxes payable under Section 4999 of the Code), an amount that is greater than the amount, on a net after tax basis, that you would be entitled to retain upon receipt of the Reduced Amount. Unless the Company and you otherwise agree in writing, any determination required under this Section 17 shall be made in writing in good faith by the Accounting Firm. In the event of a reduction of benefits hereunder, benefits shall be reduced by first reducing or eliminating the portion of the CIC Benefits that are payable under this Award Agreement and then by reducing or eliminating the portion of the CIC Benefits that are payable in cash and then by reducing or eliminating the non-cash portion of the CIC Benefits, in each case, in reverse order beginning with payments or benefits which are to be paid the furthest in the future. For purposes of making the calculations required by this Section 17, the Accounting Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code, and other applicable legal authority. The Company and you shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably require in order to make a determination under this Section 17, and the Company shall bear the cost of all fees the Accounting Firm charges in connection with any calculations contemplated by this Section 17. In connection with making determinations under this Section 17, the Accounting Firm shall take into account the value of any reasonable compensation for services to be rendered by you before or after the Change of Control, including any non-competition provisions that may apply to you and the Company shall cooperate in the valuation of any such services, including any non-competition provisions.

SECTION 18. Currency Risk. You accept that if the Shares subject to your Award are traded in a currency which is not the currency of your jurisdiction, the value of the Shares may be affected by movements in the exchange rate. No member of the GXO group of companies is liable for any loss due to movements in the exchange rate or any charges imposed in relation to the conversion or transfer of money.

SECTION 19. Trade Monitoring Policy. You are required to maintain a securities brokerage account with the Company’s preferred broker in order to

receive any Shares issuable under this Award, in accordance with the Company securities trade monitoring policy (the “Trade Monitoring Policy”). The Company’s preferred broker is currently Morgan Stanley. Any Shares issued to you pursuant to this Award Agreement shall be deposited in your account with the Company’s preferred broker in accordance with the terms set forth herein. You hereby acknowledge that you have reviewed, and agree to comply with, the terms of the Trade Monitoring Policy, and that this Award, and the value of any Shares issued pursuant to this Award Agreement, shall be subject to forfeiture or recoupment by the Company, as applicable, in the event of your noncompliance with the Trade Monitoring Policy, as it may be in effect from time to time.

IN WITNESS WHEREOF, the parties have duly executed this Award Agreement as of the date first written above.

GXO Logistics, Inc.

By: _____

Name: Maryclaire Hammond

Title: Chief Human Resources Officer



10/22/2021

Elizabeth Fogarty
1057 Oenoke Ridge
New Canaan, CT 06840

Elizabeth,

On behalf of the GXO Logistics leadership team, I'm happy to offer you the following updated offer for the position of Chief Communications Officer, effective September 1, 2021. I know I speak for the rest of our team when I say how pleased we are to make you this offer. This updated offer letter is reflective of your final offer details, as approved by the Compensation Committee of the Company's Board of Directors.

In this role, you'll report directly to Malcolm Wilson, Chief Executive Officer. You'll be based out of our Greenwich, CT office.

Your salary and compensation

We'd like to offer you the following compensation package:

- You'll receive \$15,384.62, paid on a biweekly basis, or \$400,000 annually. There is up to a three-week processing period before you receive your first check.
- **Annual Incentive:** The incentive plan structure is based on a target percentage of your eligible earnings. The target incentive for you is 75% of your eligible earnings if you achieve all your performance goals and targets (determined by your supervisor) and the Company achieves its business goals. Your annual incentive will be based on eligible earnings from your start date. If your start date is after September 30th, you are not eligible for that year's annual incentive. Instead eligibility begins January 1st of the following year.
- **Long-term Incentive:** You will be eligible for a long-term incentive award, the amount and form of which will be determined after the end of each performance year (it being understood that the first such performance year shall be the year in which you are hired), in conjunction with determination of your final annual incentive achievement. Any such award will be contingent upon the approval of the Compensation Committee of the Company's Board of Directors or its delegate.
- Annual and long-term incentive awards will be reflective of your individual performance and contributions, the Company and/or business unit performance, as applicable, and the scope and expectations of your position/role in the Company and/or your business unit. As an at-will employee, annual and long-term incentives are subject to change at the sole discretion of the Company.
- **Equity Sign-On:** As approved by the Compensation Committee of the Company's Board of Directors, you will be granted the following one-time award, reflected below at grant date value, subject to the terms and conditions set forth in the award agreement that will be provided to you after hire.

- **Time-Based Restricted Stock Units (RSUs):** \$350,000 of grant date value will be awarded to you in the form of RSUs as soon as practicable after your start date, subject to the following vesting schedule and your continuing employment with the Company on such date: the RSUs will vest in three equal increments on the first three anniversaries of the grant date.

Your benefits

At GXO, we're committed to hiring the best people, such as yourself. That's why we offer a competitive benefits package—including healthcare coverage, personal time off, life/disability insurance, retirement planning and more. Additional details related to our benefits package are included with your new hire materials.

Severance Benefits: You will also be eligible for severance payments and other benefits upon certain qualifying termination events, subject to the terms and conditions of the GXO Logistics, Inc. Severance Plan ("Plan").

Legal considerations

In your work for the Company, you are expected not to use or disclose any confidential information, including trade secrets, of any former employer or other person to whom you have a confidentiality obligation. You are expected to use only generally known information which is used by persons with training and experience comparable to your own, which is common in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. As a condition of your continued employment, you are expected to abide by the Company's rules and policies as may be published from time to time. During our discussions about your proposed job duties, you assured us that you would be able to perform those duties within the guidelines just described.

You confirm that you have carefully reviewed your files (including emails, computer files and hard copies, whether personal or business) and deleted, and not retained copies of, any files prepared, generated or used during any prior employment that could contain confidential information or trade secrets of your current or former employer. You agree not to bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you owe a confidentiality obligation.

GXO is an at-will employer. You may terminate your employment with the Company at any time and for any reason by notifying GXO; the Company may terminate your employment at any time and for any reason, with or without cause or advance notice. The at-will employment relationship cannot be changed except in writing signed by GXO's Chief Executive Officer.

As applicable, your acceptance of this offer and commencement of employment with the Company is contingent upon your acceptance of the Company's Confidential Information Protection Agreement (CIPA), which prohibits unauthorized use or disclosure of the Company's proprietary information.

This letter, along with the CIPA, if applicable, contains the entire agreement and understanding between you and the Company regarding the employment relationship and supersedes any prior or contemporaneous agreements, understandings, communications, offers, representations, warranties, or commitments by or on behalf of the Company (oral or written). This offer of employment is not to be construed as a contract for employment in any particular position for any particular salary or time period.

This employment offer is contingent on the satisfactory conclusion of appropriate background check and a pre-employment drug screen as applicable. *Although your employment at GXO may begin prior to the completion of the background check or drug screen at the Company's discretion, your continued employment remains subject to the satisfactory completion of the background check and drug screen.* As required by law, this offer is subject to satisfactory proof of your right to work in the United States.

Taking the next step

As you know, GXO has generated tremendous momentum, thanks to the efforts of our people and leaders the world over. With you on our team, we're sure to continue along this trajectory and move forward to greater success.

Please make sure you've read the offer letter completely, plus all information included with it. Then sign and return the offer letter by e-mail to Mary.Criser@gxo.com.

If you have any questions, please reach out to me at (336) 501-6171 or Andrea.Adams@gxo.com. We look forward to working with you at GXO!

Andrea Adams, Senior Vice President, Talent Acquisition
Andrea.Adams@gxo.com

EMPLOYMENT ACCEPTANCE

I accept employment with GXO Logistics, as a Chief Communications Officer at the Greenwich, CT location, reporting to work on date to be determined.

/s/ Elizabeth Fogarty

Elizabeth Fogarty

10/22/2021

Date

CERTIFICATION

I, Malcolm Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 of GXO Logistics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Malcolm Wilson

Malcolm Wilson

Chief Executive Officer

(Principal Executive Officer)

Date: November 2, 2021

CERTIFICATION

I, Baris Oran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 of GXO Logistics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Baris Oran

Baris Oran
Chief Financial Officer
(Principal Financial Officer)

Date: November 2, 2021

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

**Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Executive Officer of GXO Logistics, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Malcolm Wilson

Malcolm Wilson

Chief Executive Officer

(Principal Executive Officer)

Date: November 2, 2021

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350

As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Financial Officer of GXO Logistics, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Baris Oran

Baris Oran

Chief Financial Officer

(Principal Financial Officer)

Date: November 2, 2021