



Committed to More™



UPS Corporate Sustainability Report 2013



Committed to More™

Sustainability is often about creating or doing less: less waste, lower emissions, fewer impacts. But at UPS, we're Committed to More™. In every aspect of our business we strive to do more, whether through delivering packages more efficiently, creating more connections around the world, or finding more ways to take action and give back. Through these connections, we can do more for the environment, more for our customers, and more for our communities around the world.



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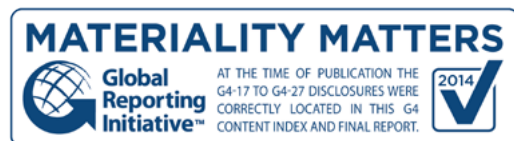


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This Report is produced in accordance with the GRI G4 framework at the Comprehensive level. We have fulfilled the disclosure requirements to receive the “Materiality Matters” Check for this Report.



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1.0

**Committed
to More**

Along with the packages we deliver each day, we're also delivering progress and possibility for millions of people and businesses around the world. We constantly strive to go beyond what we do today, so that our customers can do more tomorrow.

This Report is about our commitment to more: broader global prosperity, deeper environmental responsibility, and greater empowerment for the nearly 400,000 diverse individuals who make UPS a global leader.

It's about people who excel at logistics, master innovation, care about the environment, and go the extra mile for customers in more than 220 countries and territories around the world.

Most of all, it's about our determination to become more sustainable, so that we can do more for the economy, society and the environment.



1.1 Headlines of 2013

We're Doubling Our Goal for Carbon Intensity from Transportation

One of our top sustainability goals is to reduce our greenhouse gas (GHG) emissions from transportation relative to our shipping volume. Successful execution of our global greenhouse gas reduction strategy enabled us to reach our goal for 2016 in 2013. So we doubled the goal to a 20 percent reduction in our carbon intensity from transportation by 2020. The KPI behind the goal is our Transportation Intensity Index. It covers 96 percent of all Scope 1 and 2 CO₂e emissions we generate worldwide, and uses our 2007 results as the baseline. Our goal was to achieve a 10 percent reduction in the Transportation Intensity Index by 2016. In 2013, the reduction was already 13.4 percent. For more information, see [page 48](#).



▲ Boeing 747 flying over Seattle, Washington, U.S.

We Reduced Our Absolute Carbon Emissions, Again

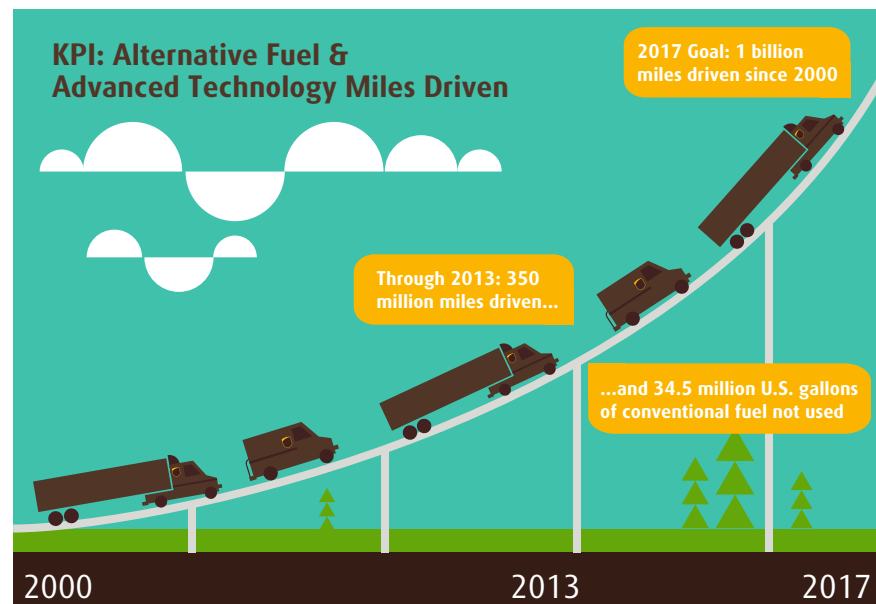
For the second year in a row, we delivered more goods for our customers, while generating fewer emissions. In 2013, our total greenhouse gas emissions decreased by 1.5 percent compared to 2012 while our global package operation volume, which represents 83 percent of our total business by revenue, increased 3.9 percent year-over-year. For more information, see [page 43](#). We achieved this reduction in carbon by relentlessly executing on our global greenhouse gas reduction strategy. In this Report, we provide numerous examples of our drive to be more efficient, including precision performance by our drivers and pilots, proprietary technical innovations such as ORION, and continual expansion of our fleet of alternative fuel and advanced technology vehicles.

ORION Arrives

UPS was in the high-tech headlines in 2013 for ORION (On-Road Integrated Optimization and Navigation), a proprietary IT system we launched after years of intense R&D. ORION applies an advanced algorithm to customized map data to provide delivery drivers with optimized route advice. We launched ORION on 10,000 delivery routes in 2013, and expect it to help us save more than 1.5 million gallons of fuel and avoid 14,000 metric tons of CO₂ emissions in 2014. These benefits will increase substantially upon full implementation in 2017. A reduction of just one mile driven per delivery driver per day can save UPS up to US\$50 million a year. For more information, see [page 51](#).

Natural Gas Scales Up

In 2013, our fleet of alternative fuel and advanced technology vehicles grew dramatically, led by heavy-duty tractors fueled by liquefied natural gas (LNG). By the year's end, we had 249 LNG trucks on the road and preparations in place to deploy well over 1,000 in 2014. Although these vehicles require a greater initial capital outlay, they cost less to operate than conventional trucks, their emissions performance is better, and they give us more fuel flexibility overall. To keep them rolling, we're also building out an economical, efficient network of strategically located LNG fueling stations. These LNG vehicles are a key part of our efforts to achieve 1 billion miles driven in our alternative fuel and advanced technology vehicles by the end of 2017, and reduce our use of conventional fuel.



Emerging Economies are the Future

We've been working in emerging economies for decades, so they are a big part of our past. Now we're determined to make them an even bigger part of our future. We created a new management team in 2013 to focus on emerging economies, and we reorganized to increase our focus on the Indian subcontinent, the Middle East, and Africa. At UPS, these are commitments to long-term growth and development, and they're guided by some of our most seasoned international leaders.



▲ UPS delivery van, Dubai, United Arab Emirates



UPS is Looking for 25,000 Military Veterans

In 2013, we signed on to the White House's "Joining Forces" program and pledged to hire more than 25,000 former members of the U.S. military over the next five years. We also plan to donate more than 25,000 employee volunteer hours helping veterans and U.S. Veterans Service Organizations (VSOs). We're also increasing networking opportunities for vets to help them transition into the civilian workforce, and increasing our recognition and support for veterans working at UPS.

We Delivered for Those Less Fortunate

In 2013, our in-kind and cash support donations for humanitarian relief totaled US\$7.5 million, enabling 250 humanitarian shipments across 46 countries. We gave the U.N. World Food Programme, UNICEF, and CARE a total of US\$1 million for their post-typhoon efforts in the Philippines, and flights by UPS jets carried 15,000 pounds of medical aid and 20,000 tarpaulins to help cover the roofs of homes. To aid children and families forced from their homes by unrest in Syria, UPS donated a flight by a UPS Airlines jet to carry 220,000 pounds of emergency aid.



▲ Lina and her brother carry warm clothes packages they just received from UNICEF in an IDP shelter in Damascus. Photo credit: ©UNICEF/PFPG2013P-0438/Rashidi

1.2 Executive Statement



Scott Davis

Chairman and Chief Executive Officer



G4-1

Our world is changing in extraordinary ways. Transformative ideas and disruptive technologies are empowering global consumer classes and enabling individuals to connect to markets in powerful new ways. These trends also support a growing world population, and fuel the resource demands that accompany it. Roughly a billion people from developing economies are now entering the market for goods and services, and by some estimates, there will be 2.5 billion more people on the planet by 2050 than there are today.

The confluence of these developments raises the most important sustainability question of our time: How do we meet the needs of the many in the most efficient, responsible way possible? Such a challenge requires continual innovation, a global perspective, and a clear focus on what matters the most.

In 2013, UPS demonstrated all three. This report details how we innovated, adapted, collaborated, and executed against our sustainability priorities.

During the year, we launched ORION, the latest innovation in our never-ending effort to become more efficient. We realigned our international operations so that we can better serve the promise of emerging markets that need resource-efficient options to connect with the rest of the world. And we continued to expand our fleet of alternative fuel and advanced technology vehicles. We are well on our way to drive 1 billion miles in these vehicles by the end of 2017.

We also conducted a global analysis to deepen our understanding of our impacts on the economy and the environment, and to better guide our sustainability programs and priorities. As a result, this Report offers greater focus than in prior years. We're concentrating on material aspects as defined by the new Global Reporting Initiative G4 framework. UPS is one of the first large organizations in the United States to report to G4's most rigorous "Comprehensive" option.

Most of the Key Performance Indicators we have presented in past Reports are still relevant to the G4 framework, and we continue to report on them with the same high level of transparency and detail. We are on track or ahead of schedule to achieve most of our goals. In many cases, this progress is the result of strategic initiatives that we implemented years ago, and that are enabling us to set new, more ambitious goals for the future.

One key example is the 2016 transportation intensity index goal, which provides a comprehensive measure of our global Greenhouse Gas (GHG) emissions efficiency. We exceeded the goal in both 2012 and 2013, and as a result we are doubling it to achieve a 20 percent reduction in our global GHG intensity by our new target year in 2020.

Through The UPS Foundation, we also reaffirmed our philanthropic commitment to worldwide communities in 2013. UPS and its employees contributed \$102 million and gave 1.8 million hours in volunteer service. To help those in need, we assisted with 250 humanitarian shipments across 46 countries, and invested in making communities more resilient for the future.

We expanded our signature environmental program, and have now committed to plant an additional 1 million trees around the world, beyond the 1.3 million already planted. UPS employees also continued to share their road safety expertise with teens and novice drivers around the world to make the communities we serve a safer place for everyone.

Looking forward, our sustainability priorities remain unchanged. UPS makes a vital contribution to global prosperity, through the jobs we create and our support for entrepreneurs and small businesses worldwide. As one of the largest global logistics providers, we strive to contribute to global prosperity as efficiently as possible and we're proud that for the second year, our network volume increased at a greater rate than our emissions. We will continue to adapt and make investments to be even more efficient in the future.

Ultimately, it is our people who drive our strategy. We continue to invest in their training and development, their health and wellness, and the richness of their diversity. In many ways, UPS is a mirror of the society we serve, and we are doing our part to make it more sustainable.

D. Scott Davis

1.3 2013 Achievements



UPS GLOBAL FORESTRY INITIATIVE: THE NEXT MILLION TREES

We kicked off the 10th anniversary of our Global Volunteer Month by pledging to plant another 1 million trees around the world, beyond the 1.3 million planted in 2012 and 2013.

UPS ROAD CODE™ ARRIVES IN CHINA

The UPS Road Code™ program teaches safe driving techniques to new drivers in five countries. The latest is China, where employee volunteers helped launch the program in Shanghai in 2013.

UPS MY CHOICE™ IS A HIT WITH CUSTOMERS

We passed the 7 million mark in customer registrations for UPS My Choice™, an innovative service that enables recipients to specify delivery dates and places – and helps us save energy.

EMERGING MARKETS ORGANIZATION

Emerging market countries need more resource-efficient logistics options, and we established a new team of senior managers to deliver them in emerging markets worldwide.

ISMEA DISTRICT

We created a new operating district for the Indian subcontinent, the Middle East, and Africa (ISMEA): three regions sharing growth in trade and development that we can help make more sustainable.



STRATEGIC ACQUISITIONS

UPS became the first global express delivery company to be wholly-owned in Vietnam. We also expanded our capabilities for customers with acquisitions of a healthcare logistics provider in Hungary, as well as a small package delivery company and brokerage company in Costa Rica.

RESILIENT COMMUNITIES

We provided US\$7.5 million in humanitarian relief funding and assisted with 250 humanitarian shipments across 46 countries, all aimed at supporting local communities in preparing for or recovering from disasters.



LEADERSHIP IN CARBON DISCLOSURE

For the third year in a row, we earned a 99 out of 100 for voluntary carbon disclosure and achieved a top position in CDP's Global 500 Climate Disclosure Leadership Index (CDLI). We also earned an "A-" for our carbon performance.

GRI G4 "COMPREHENSIVE"

UPS is one of the first major corporations in the United States to report at the "Comprehensive" level of the new G4 guidelines developed by the Global Reporting Initiative.

1.4

UPS Global Reach

G4-8

UPS's global reach extends to more than 220 countries and territories.

2,700 Worldwide Operating Facilities

Nearly 400,000 employees across the globe

1,955 Daily Flight Segments

103,000 Vehicles in Delivery Fleet

More than 16.9 million packages delivered each day

Legend



Corporate or Regional Headquarters



Major Air Hub



Global Alternative Fuel and Advanced Technology Fleet Location



Global Healthcare Facility



UPS carbon neutral Shipping Origination Country

*Colors denote UPS operating region

U.S.A.

- 320,000+ employees
- Nearly 1,000 flight segments
- 50,000+ retail points of access

Europe, Middle East, and Africa

- 40,000+ employees
- 200 Intra-Europe flights/100 intercontinental flights (daily)
- 9,000 points of access

Asia-Pacific

- 15,000+ employees
- 243 Intra-Asia Pacific flights/142 Intercontinental flights (weekly)
- 2,700+ points of access

Acquisition

Costa Rica
Union Pak de Costa Rica and SEISA Brokerage (CR)

Americas – Canada, Latin America, South America, and the Caribbean

- 18,500+ employees
- 200+ flights (daily)
- 1,600+ points of access

Acquisition

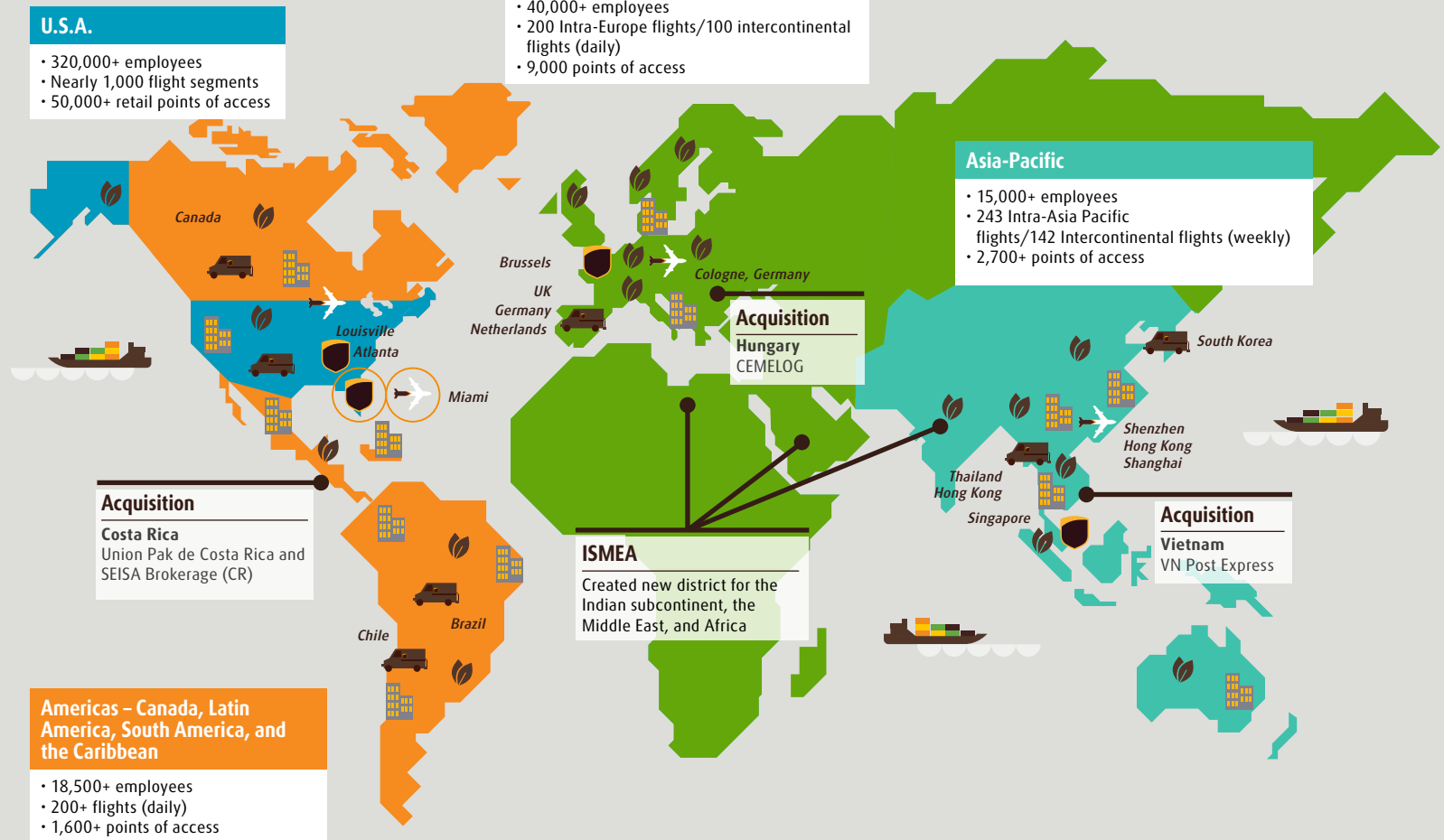
Hungary
CEMELOG

ISMEA

Created new district for the Indian subcontinent, the Middle East, and Africa

Acquisition

Vietnam
VN Post Express



2.0

Materiality and Stakeholder Engagement

At UPS, our success depends on knowing what matters to our stakeholders, and delivering it so they can do more.

For this Report, we systematically questioned stakeholder representatives and our senior management for insights about UPS, our industry, and the larger issues and trends they care about. We then put all these inputs together to identify the aspects of our business that are most material to our sustainability.

These material aspects are more than primary topics for sustainability reporting. To an increasing degree, they also drive our strategy, planning and operations. We know that to remain a leader in our industry, we have to keep evolving and innovating in the ways our stakeholders care about most.



2.1 Materiality

We prepared this Report according to the G4 guidelines of the Global Reporting Initiative. In this chapter, we summarize key processes and major takeaways, including:

- Our process for determining the content of the Report.
- The material aspects we address throughout the Report.
- The Key Performance Indicators (KPIs) we use to monitor our progress with the aspects.
- Goals we use to focus our efforts.
- Recognition UPS received in 2013 related to sustainability.



Rhonda Clark

Chief Sustainability Officer



It's not hard to figure out what companies care about: just look at what they measure. In the same way, what matters to stakeholders should be reflected in the measurement results that companies share with them. One of the takeaways from the materiality assessment process UPS conducted in 2013 is that the sustainability metrics we have been using for years remain strongly aligned with what our stakeholders care about.

This does not mean that our metrics are static or that the processes behind them are fixed. In fact, it's quite the opposite. We have been adding new categories of data to our global inventory of greenhouse gas emissions for the past five years, so that we can report on all relevant sources of emissions beyond those from our operations and purchased energy. And as we expand internationally, we add the new facilities, people, and operations to metrics that once were dominated by data from the United States.

Often these additions of new data create the short-term appearance that our results are not improving, but we know that our management and our stakeholders want the full picture, not one that edits out the facts.

It's the same with our goals. We set new goals for many of our KPIs in 2011, and we expect to refresh them again in 2016. But if we reach a particular goal much sooner than we expected, we don't wait for years to raise the bar.

That's because the goals we set sometimes say as much as the metrics we use. For example, our current environmental goals say that UPS, even

"Our current environmental goals say that UPS, even with one of the most efficient logistics networks on earth, can still do more for customers while limiting adverse impacts."

with one of the most efficient logistics networks on earth, can still do more for customers while limiting adverse impacts. That's a message all our stakeholders care about.

Rhonda Clark

Materiality Assessment Process

In 2013, we conducted a formal materiality assessment with the support and structure of BSR (formerly Business for Social Responsibility), a widely respected non-profit organization dedicated to corporate social responsibility. As part of our internal and external outreach, we:

- Evaluated approximately 30 international sustainability frameworks and standards, ratings and rankings assessments, and other information, either developed by or representing the interests of important stakeholder groups.
- Conducted interviews with five stakeholder representatives from groups in the United States, Europe, China, and Brazil with specific expertise in high-priority or emerging sustainability issues for UPS.
- Engaged over the course of the year with dozens of stakeholders around the world on sustainability issues. Relevant results from these engagements were shared with BSR during the formal materiality process.
- Interviewed six of the nine members of our Management Committee, which has direct responsibility for executing all company strategy. We also interviewed senior UPS managers around the world.
- Gathered feedback from regulators and other government agencies; communities; non-governmental organizations (NGOs), including social and environmental activists; academics; and engaged investors.

Ultimately, we examined more than 50 issues, including areas of significant organizational impact, as well as broader sustainability trends

that affect UPS. These issues fell into broad categories, such as greenhouse gas emissions and climate change, energy and fuels, privacy and security, labor/management relations, employees, ethics and governance, and other major areas of corporate responsibility.

BSR ranked each issue's relative importance, and supported us in making final adjustments to the ranking before we presented it to members of our Sustainability Directors' Committee. We then submitted the results of the materiality process for approval to our Sustainability Steering Committee, which includes members of the Management Committee and other senior leaders of UPS. (These committees are described in more detail beginning on [page 78](#).)



Material Aspects

The primary result of our materiality assessment process was a set of "material aspects" of sustainability for UPS. We have mapped these material aspects on a "materiality matrix" (see diagram on the following page). The vertical axis of the matrix is "Importance to Stakeholders," and the horizontal axis is "Influence on Business Success." These are the same axis definitions we used for our previous materiality matrix in 2011.



▲ UPS package delivery vehicle, Amsterdam, The Netherlands

We have made no significant changes from previous reporting periods in the relevant scope and aspect boundaries.

The new GRI G4 guidelines recommend that reporters define the vertical axis as "Influence on Stakeholder Assessments and Decisions." We believe this represents little or no change in meaning from "Importance to Stakeholders." GRI also recommends that reporters define the horizontal axis as "Significant Economic, Environmental, and Social Impacts".

After careful consideration, we chose to retain our definition of the horizontal axis (Influence on Business Success) in order to focus the materiality matrix on our overall sustainability strategy, rather than on simply identifying impacts. Our approach also maintains consistency with our previous materiality matrix and ensures that UPS-specific material aspects stand out clearly for our management and stakeholders.

Note that "Influence on Business Success" implicitly takes into account the material aspect of economic performance. In the body of this Report, we fully discuss our economic performance, in line with GRI G4 guidelines. We also clearly state how our material aspects (those that appear in the upper right hand portion) correspond to the material aspect disclosures recommended by GRI. We do this both in the table on [page 11](#) and as part of the discussion of each individual aspect.

2013 MATERIALITY MATRIX



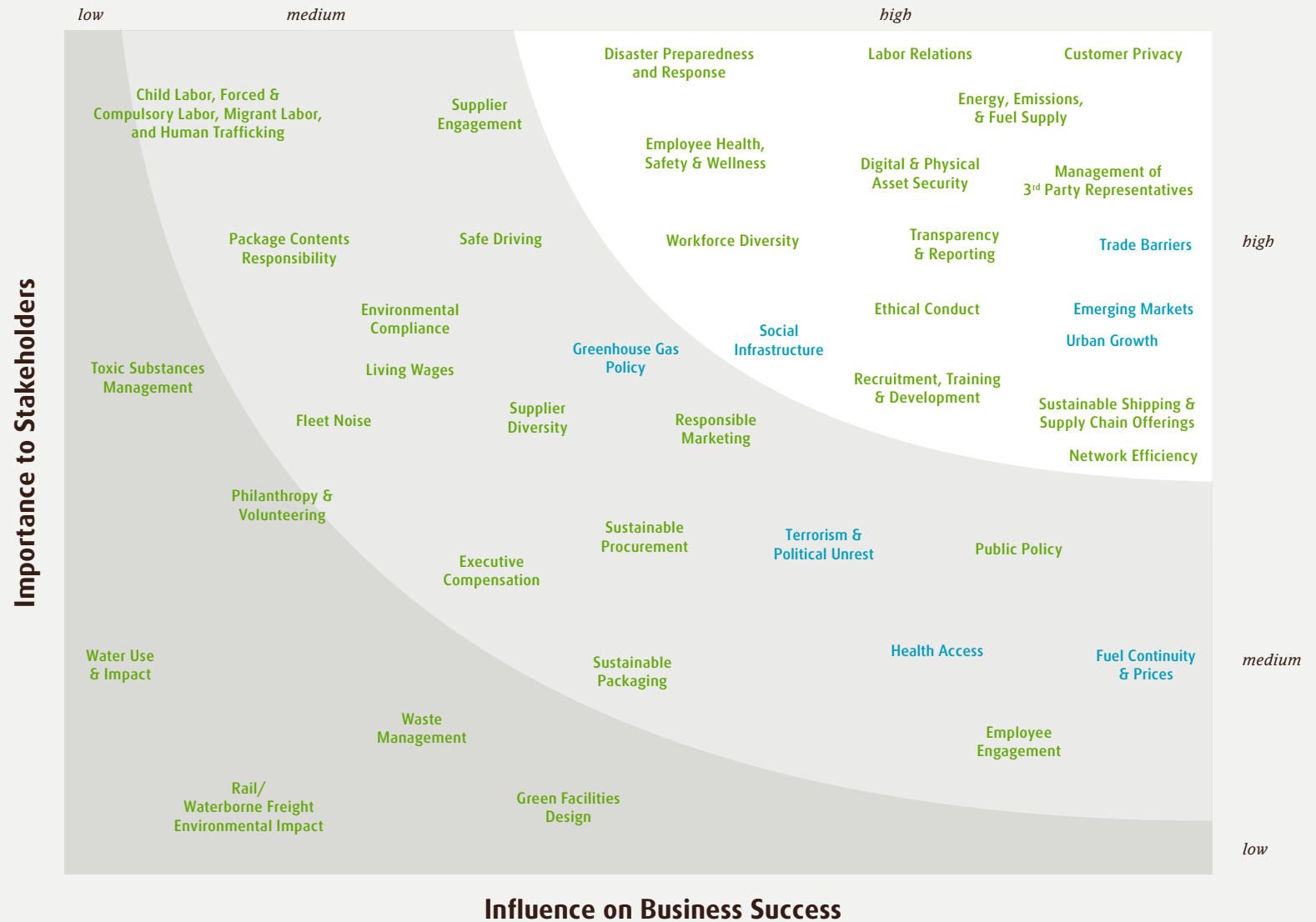
KEY

Impact/Issue Area:

Areas of significant UPS sustainability impact.

Contextual Trend:

Global trends influencing our business and our sustainability strategy.



UPS MATERIALITY MATRIX CONTENT TABLE

Material Issue for UPS	Corresponding GRI G4 Material Aspect	Aspect Boundary Within UPS	Aspect Boundary Outside UPS	Location
ECONOMIC*	Economic Performance, Market Presence, Indirect Economic Impact, Procurement Practices	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	22
CUSTOMER PRIVACY	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Select external stakeholders	28
DIGITAL & PHYSICAL ASSET SECURITY	Customer Privacy	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	30
DISASTER PREPAREDNESS & RESPONSE	Indirect Economic Impact	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Communities in which we operate	31
ENERGY, EMISSIONS & FUEL SUPPLY	Energy, Emissions, Environmental Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Global providers of purchased transportation services	40
LABOR RELATIONS	Labor/Management Relations, Freedom of Association & Collective Bargaining, Human Rights Grievance Mechanisms, Labor Practices Grievance Mechanisms	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	65
WORKFORCE DIVERSITY	Diversity and Equal Opportunity, Equal Remuneration for Women and Men	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	67
EMPLOYEE HEALTH, SAFETY & WELLNESS	Employment, Occupational Health and Safety	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	69
RECRUITMENT, TRAINING & DEVELOPMENT	Training and Education	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Not material	72
ETHICAL CONDUCT	Anti-Corruption, Anti-Competitive Behavior, Compliance (Society)	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	81
MANAGEMENT OF THIRD-PARTY REPRESENTATIVES	Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight	Agents and outside service providers engaged by UPS	83
SUSTAINABLE SHIPPING & SUPPLY CHAIN OFFERINGS	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			37
TRANSPARENCY & REPORTING	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			42
NETWORK EFFICIENCY	This issue arose during the materiality process but does not map directly to a GRI G4 material aspect. We provide additional content on this item throughout the Report.			43
Contextual Trend	Description	Location		
TRADE BARRIERS	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.	12		
URBAN GROWTH	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.	12		
SOCIAL INFRASTRUCTURE	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.	12		
EMERGING MARKETS	This trend arose during the materiality process. We provide additional information in the Report to explain its significance to UPS.	12		

*Our Materiality Matrix implicitly recognizes that our economic performance is a material influence on our business success, so it does not appear in the matrix as a separate issue or aspect. We fully discuss our economic performance, in line with GRI G4 guidelines.



City
expressway,
Hong Kong

UPS facility,
Dubai, United
Arab Emirates

G4-2

Contextual Trends

During our materiality assessment, a number of global trends arose frequently in discussions about material aspects of our sustainability. While these trends are not within our control, and are not areas where we make major impacts, they are important sustainability trends that influence our business. In the following paragraphs, we briefly describe these trends.

Trade Barriers

In recent decades, trade agreements have led to trade opportunities. Trade agreements increased in number, both regionally and bilaterally. Emerging markets became major contributors to free trade, highlighted by China's membership in the World Trade Organization (WTO) in 2001. According to some forecasts, global trade in goods is expected to increase at an average annual rate of 6 percent until 2030. This trend benefits UPS by increasing the amount of international shipping volume, and it benefits society by fostering prosperity, the sharing of cultures and ideas, and more political openness. We strongly support free trade and the agreements that enable it, such as the proposed

pacts between the United States and Europe, and between Asia and the Americas.

Urban Growth

A massive population shift from rural areas to cities around the world is increasing the number of large, densely populated cities. In 2013, there were more than 25 mega cities (with populations greater than 10 million), and the number is expected to increase significantly in coming years. To address increasing congestion, noise, and pollution in their urban cores, city governments are considering or implementing a range of regulatory mechanisms, particularly for transportation. UPS conducts a substantial amount of business in urban cores, so we are already testing new delivery strategies and techniques that reduce the need for trucks and trips within urban cores. This will help us maintain our service to customers while helping cities achieve their social and environmental goals.

Social Infrastructure and Services

As the world's population grows and ages, communities need to adapt their social infrastructure and services to support people who cannot care for themselves or their family



members. Healthcare experts, for example, envision technology and infrastructure changes that make healthcare more accessible, mobile, affordable, and effective. UPS already fields one of the largest dedicated networks of facilities and related services for suppliers of healthcare products, and we continue to invest in this infrastructure around the world. Delivery activity associated with expanding social services or infrastructure represents another major opportunity for us. We also recognize, and are planning for, the challenges that may arise for us regarding recruiting and retaining younger generations in countries with low birth rates and aging populations.

Emerging Markets

The increasing economic power and growth of the world's emerging market countries is a global trend that influences our operating plans and strategies for serving customers. In 2013, we created a new internal organization and management team to focus on a defined set of emerging economies. In particular, we created a new operating district for the Indian subcontinent, the Middle East, and Africa. We discuss this trend, and our related actions and opportunities, on [page 38](#).

2.1 Stakeholder Statement



Rodney Irwin

Managing Director, Redefining Value and Education, World Business Council for Sustainable Development



In 2013, the World Business Council for Sustainable Development (WBCSD) issued “Reporting Matters – WBCSD 2013 Baseline Report,” a landmark analysis aimed at improving the effectiveness of sustainability reporting. There is now such a large body of diverse reporting approaches that it makes sense to understand what makes a report effective and gets it read. One reality is clear: reporting alone brings society no benefits.

It is the information in the reports that enables stakeholders to understand the performance and direction of the company, where it needs to go, and how to correct the course if necessary. That is why the top criteria for reporting effectiveness in our study were completeness, materiality, and what we called “strategy & drivers.” Managements need to understand their whole story about what really matters, and to understand the strategic levers for addressing impacts on sustainability. They also need to be able to impart their vision and performance to stakeholders. Without a clear understanding that reporting is based on solid management commitment and information, external reporting is nothing more than branding – icing without the cake.

“Companies that are diligent and comprehensive in gathering and organizing their sustainability data need to call attention to why quality matters in reporting.”

That’s why we look to respected reporters such as UPS to demonstrate specific aspects of leadership. Let’s start with rigour in capturing and reporting sustainability information. Investors should be a primary audience for sustainability reporting, because they have a duty to know about the companies they own. But investors often don’t trust the data in sustainability reports, and most of the time they can’t compare it across companies or industries. So they ignore it. Companies, such as UPS, that are diligent and comprehensive in gathering and organizing their sustainability data need to call attention to why quality matters in reporting so that investors know which companies they can trust and why.

We also need to understand how management is actually using the information. Generally, companies assessed in “Reporting Matters” were not good at describing what is material and how they act upon this knowledge. So I would like to see UPS take a leadership position in articulating how information in its sustainability reports is material in driving operations.

Reliable data should also enable companies to set meaningful sustainability goals, but this is another area we found lacking in our report findings. Goals

and targets should have rigid baselines for comparison. They should include realistic plans for achievement, and be based on factors within a company’s control.

Too often we see companies set long-term, aspirational goals that depend on a lot of external things going right in the same time frame. It would be much better to set goals that change the company or the industry over a few years, rather than announcing an intention to change the whole world at some distant point in time.

The fact is that companies cannot do everything on their own. So leading reporters need to say what kinds of changes or contributions they would like to see from other organizations. For UPS, it is clear that the company’s energy and emission targets depend on the aircraft, vehicles and fuels available for purchase from other companies. Investors and other stakeholders need to know about these types of linkages, so they can direct funding and other resources into the right markets and technologies.

With “Reporting Matters”, the World Business Council for Sustainable Development sought to raise the bar for more effective sustainability reports, but we understand some may question our points of emphasis when so many companies are not reporting at all, much less well. But this is another reality of sustainability: we need leading companies to demonstrate clear differences in management thinking and action, not just good reporting. Otherwise we will not see the kinds of broad changes that are necessary to make our world more sustainable.

Goals and Materiality

KPIs in this Report

In previous Reports, we have presented multi-year data for 16 performance measurements that we consider Key Performance Indicators (KPIs) for the sustainability of our business. In accordance with GRI-G4, we now present data for the 13 KPIs that correspond to our material aspects (see table on [page 11](#)). Data for all these KPIs were presented in our previous Reports. We discuss each of them in the relevant sections of this Report where they appear. The complete set of KPIs is summarized in the table on [pages 15-16](#). The remaining three KPIs (those not corresponding to a material aspect) are now presented on our sustainability website. These KPIs measure water consumption, reportable spills, and penalties as a percentage of total environmental inspections.

For most KPIs, we use generally accepted or industry-standard metrics and measurement

protocols. In some cases, we provide both absolute and normalized results. This is because carbon intensity may be as relevant or more relevant than absolute carbon footprint (see [page 47](#)).

Most of our environmental KPIs correspond to GRI performance indicators. In many cases, we provide global enterprise data as well as breakouts for our largest reportable business segment (U.S. Domestic Package) and our largest emissions source (UPS Airlines). We do not include financial measures in this Report, as they are presented in detail in the [UPS Annual Report](#).

Changes in 2013

We have made no material restatements of information provided in previous reports. We have inverted the ratio in one KPI for our U.S. Domestic Package segment, to make it easier for people to understand. Thus the KPI now presents ground packages delivered per gallon of fuel used, rather than gallons of fuel per ground package. We also broadened the definition of fuel use to make the KPI more comprehensive (see [page 53](#)). Regarding our inventory of Scope 3 greenhouse gas emissions, we added two more categories in

2013, which means we now report on all Scope 3 categories that are relevant for UPS (see [page 87](#)). Data for prior periods are reported on a comparable basis, using the new definitions of the respective measures described above.

Goals

Ten of the KPIs presented in this Report have goals: six for 2016, one for 2017, and three for 2020. These goals are shown in the table on [pages 15-16](#). We are generally satisfied with our progress toward our goals. In some cases, we have met or exceeded the goal for one or more years. In others, we have met or exceeded the goal in a prior year, which gives us confidence that we will reach the goal in the target year. The remaining goals are more challenging. In some cases this is due to our international expansion, which introduces new variables into data-gathering and performance results for global metrics. In other cases, marketplace or technological factors are not developing as we expected, such as with bio-fuels for jet aircraft.



Our KPIs measure performance either for our global enterprise or for large, well-defined segments of our business with specific management requirements



KEY PERFORMANCE INDICATORS (KPI)

KPI Description	Units	2010	2011	2012	2013	Results
FULL-TIME EMPLOYEE RETENTION RATE <i>Global Operations</i> Percent of all full-time employees that remain employed with UPS annually	% retention	91.9%	90.1%	90.6%	90.4%	Well above 2016 goal; may continue to decline slightly in part because we have a large number of full-time employees at or near retirement age 87.5% 2016 GOAL
EMPLOYER OF CHOICE INDEX <i>Global Operations</i> A subset of items from the Employee Engagement Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees	%	66%	68%	71%	66%	Below goal due in part to significant changes in Index composition in 2013 72% 2016 GOAL
LOST TIME INJURY FREQUENCY <i>Global Operations</i> Injury cases involving days away from work - number of occurrences per 200,000 hours worked	injuries/ 200,000 hours	1.99	1.88	1.71	1.80	Higher due to international expansion, severe weather events 1.75 2016 GOAL
AUTO ACCIDENT FREQUENCY <i>Global Operations</i> Total number of vehicular accidents per 100,000 driver hours (regardless of severity)	accidents / 100,000 hours	10.3	9.3	8.9	9.2	Higher due to international expansion, severe weather events 9.0 2016 GOAL
TOTAL CHARITABLE CONTRIBUTIONS <i>Global Operations</i> Includes United Way contributions from employees and retirees plus 15 percent corporate match; charitable contributions and sponsorships; corporate and local grants; in-kind services; internal scholarship programs	donation amount in US\$	97.1M	93.5M	97.5M	102M	Significant increase due to higher United Way contributions (US\$59 million), increased funding of the UPS Foundation (US\$42.9 million) 103M 2016 GOAL
TRANSPORTATION INTENSITY INDEX <i>All U.S. Operations & Global Airlines</i> The Transportation Intensity Index sums our transportation-related Scope 1 and 2 emissions from U.S. Domestic Package, the U.S. operations of Supply Chain & Freight and global UPS Airlines New Goal Doubles Original Goal	% reduction U.S. Package: lbs CO ₂ e/ package Global Airlines: lbs CO ₂ e/ATM U.S. Freight: lbs CO ₂ e/lbs freight	-6.1%	-7.8%	-11.7%	-13.4%	Surpassed our 2016 goal (10% reduction in emission intensity) and set a new goal for a 20% reduction in 2020; see "Transportation Intensity Index" on page 48. -20% 2020 GOAL
ENERGY CONSUMPTION - NORMALIZED <i>U.S. Domestic Package</i> Mobile sources (gasoline, diesel, Jet-A, natural gas and propane) and stationary sources (electricity, natural gas, propane, and heating oil)	GJ/1,000 packages GJ/US\$1,000 of revenue	29.23	28.78	27.60	27.28	Further reduction in carbon intensity (consumption normalized to packages and revenue), achieved with continual technology innovation in our optimized network 3.30 3.09 2.94 2.91 Results improved from 2012 Results declined from 2012

Continued →



KPI Description	Units	2010	2011	2012	2013	Results
GROUND PACKAGES PER GALLON OF FUEL[†] <i>U.S. Domestic Package</i> All U.S. ground packages plus air packages moved on ground; fuel includes gasoline, diesel, natural gas, propane, and fuels used by third-party carriers including rail transport	package/ gal. fuel					Further increase in packages delivered relative to fuel used *In 2013, we increased the scope to include all third-party trucking companies moving U.S. ground packages. Data for 2010, 2011, and 2012 reported on a comparable basis
CO₂e EMISSIONS – NORMALIZED <i>U.S. Domestic Package</i> Scope 1 and 2 CO ₂ e emissions: mobile sources (gasoline, diesel, Jet-A, natural gas, and propane) and stationary sources (electricity, natural gas, propane, and heating oil)	mt/1,000 packages mt/ US\$100,000 of revenue	2.18 24.60	2.13 22.87	2.05 21.80	2.01 21.43	Further reduction in emissions intensity (emissions normalized to package and revenue), achieved with continual technology innovation in our optimized network
ALTERNATIVE FUEL & ADVANCED TECHNOLOGY MILES DRIVEN <i>Global Operations</i> Fuels and technologies include compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG/propane); hybrid electric and hybrid hydraulic; biomethane; full electric	cumulative miles driven since 2000					55 million miles driven in 2013, on pace to reach 2017 goal; with 350 million miles driven since 2000 we have avoided using 34.5 million gallons of gasoline and diesel
AIRCRAFT EMISSIONS PER PAYLOAD CAPACITY <i>UPS Airlines – Global Operation</i> Total emissions of hydrocarbons, CO, and NO _x in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles	emissions/ payload capacity	0.73	0.73	0.73	0.72	Achieved 2016 goal early, by working aggressively to reduce the emissions we generate for the miles we fly to meet customer requirements; see “Reducing Carbon Intensity in Air Transport” on page 49.
AVIATION GALLONS BURNED PER 100 AVAILABLE TON MILES[†] <i>UPS Airlines – Global Operation</i> Gallons of jet fuel consumed for every 100 tons of capacity transported one nautical mile	gal. fuel/ 100 ATM	6.57	6.66	6.62	6.52	Further reduction in fuel intensity, achieved by working aggressively to reduce the fuel we consume for the miles we fly to meet customer requirements; see “Reducing Carbon Intensity in Air Transport” on page 49.
CO₂ POUNDS PER AVAILABLE TON MILE <i>UPS Airlines – Global Operation</i> Pounds of CO ₂ emitted for every ton of capacity transported one nautical mile	lbs CO ₂ /ATM	1.39	1.41	1.40	1.38	Further reduction in emissions intensity, achieved by working aggressively to reduce the fuel we consume for the miles we fly to meet customer requirements; see “Reducing Carbon Intensity in Air Transport” on page 49.

[†]Unless otherwise noted in this Report, all gallons are U.S. gallons

● Results improved from 2012
 ● Results declined from 2012

2.2

Ongoing Stakeholder Engagement



We consider stakeholder engagement an essential aspect of corporate governance. Among many other reasons, we are one of the world's largest private employers, we serve millions of customers around the world, we operate in more than 220 countries and territories, and millions of investors include our shares in their portfolios either directly or via mutual funds. It is therefore essential that we conduct regular dialogue with employees, customers, investors, community leaders, universities, and public officials through formal and informal channels.

Because of our long history, we have been engaged with many of these stakeholders for decades. Furthermore, we have a long-standing philosophy of "constructive dissatisfaction." We're always looking for ways to help our customers do more. This has taught us that good ideas can come from anywhere – even people who may be critical of us. That's why we conduct ongoing engagements with a broad array of stakeholders:

- We regularly survey customers regarding their satisfaction with our performance.
- UPS employees participate annually in an Employee Engagement Survey and additional compliance and ethics surveys (see [page 64](#)).
- Our unions and management engage in periodic negotiations regarding wages and benefits, and in joint committees regarding competitive issues and safety matters (see [page 65](#)).

- We have frequent contact with our investors at our annual shareholder meeting, quarterly conferences, and capital market events, and in response to in-bound communications.
- The transportation industry is highly regulated all over the world, so we're in regular dialogue with the public sector at many levels.
- We invest regularly in advanced technology of many kinds, from alternative fuel vehicles to IT. This keeps us in touch with universities, advanced technology companies, and innovative suppliers including the high-tech sector.
- We regularly invite outside stakeholders to present their perspectives in our Corporate Sustainability Report. This year, they include the World Business Council for Sustainable Development ([page 13](#)), CSR Turkey and the U.S. Chamber of Commerce Foundation Corporate Citizenship Center ([page 35](#)), HP ([page 25](#)), and Waste Management, Inc. ([page 56](#)).



Commitments to External Initiatives

Because of the size of our company, our global scale, and our commitment to sustainability, we are able to identify numerous opportunities to participate in external initiatives. Our approach has been to choose initiatives associated with global or national issues, and with credible organizations capable of mounting and sustaining successful programs. We then devote considerable resources, energy, and attention to advancing them. As a way to balance these global engagements, The UPS Foundation funds the work of thousands of local grassroots non-profits in communities around the world.

The major external initiatives we engage in include the following:

Economic

- Our CEO, Scott Davis, serves on the President's Export Council, a non-partisan body that serves as the United States' principal national advisory committee on international trade.
- Scott Davis is a member of the Business Roundtable, an association of chief executive officers of leading companies in the United States working to promote public policy that supports a thriving economy.
- Eduardo Martinez, president of The UPS Foundation, chairs The World Economic Forum's Global Agenda Council on Catastrophic Risks.

Social

- The Aidmatrix Foundation, which develops and supplies improved logistics solutions for humanitarian relief organizations.
- UNICEF programs to feed, clothe, shelter and educate children affected by natural and human-caused disasters.
- U.N. World Food Programme initiatives to feed populations affected by natural and human-caused disasters.
- The U.S. Federal Aviation Administration (FAA) program to establish next-generation air traffic control systems.
- The UPS-IPA Safety Task Force formed to identify and implement advanced solutions for cockpit and cargo safety. *Continued* →



Hybrid Electric Vehicle, Atlanta, Georgia, U.S.

Loading a Boeing 747, Anchorage, Alaska, U.S.



Environmental

- The World Resources Institute (WRI) program for the advancement and implementation of the Greenhouse Gas Protocol for supply chain reporting.
- The Interstate Clean Transportation Corridor (ICTC) program, a public/private partnership to establish natural gas infrastructure for transportation.
- The “Future of Fuels” project at BSR, aimed at promoting the development of lower-emission fuels for transportation.
- The SmartWay™ program of the U.S. Environmental Protection Agency (EPA), aimed at improving the fuel efficiency and environmental performance of the transportation component of business supply chains.
- The National Clean Fleets Partnership, through which the U.S. Department of Energy’s Clean Cities program works with large private fleets to cut the use of petroleum-based fuels.

- The North American Council for Freight Efficiency (NACFE), an industry association committed to doubling the efficiency of North American goods movement.
- Green Freight Europe and Green Freight Asia, transportation associations that are developing methodologies to address the climate impact of shipping in their respective regions.
- The International Air Transport Association (IATA) Air Cargo Carbon Footprint Initiative.

General Sustainability

- Our Chief Commercial Officer, Alan Gershenhorn, is a member of the World Business Council for

Sustainable Development (WBCSD). Through its Vision 2050 to Action 2020 initiative, the WBCSD is focused on a long-term global action plan for sustainability.

- The Global Initiative for Sustainability Ratings (GISR), which aims to develop a global ratings standards for sustainability performance.
- The Sustainability Accounting Standards Board (SASB), which is working to advance the integration of financial and non-financial reporting by corporations.

Recognition for Responsibility and Reporting



CDP

Global 500 Climate Disclosure Leadership Index

For the 3rd consecutive year, UPS received one of the world's highest scores in the CDP Global 500 Climate Disclosure Leadership Index, with a score of 99 out of 100.



Dow Jones Sustainability Indices

World and North America

UPS was selected as a constituent of the Dow Jones Sustainability World Index, and was included on the North America Index for the 9th consecutive year.



CR Magazine

"100 Best Corporate Citizens"

UPS was named one of CR Magazine's "100 Best Corporate Citizens" for the 4th consecutive year, and we again ranked 1st in the Climate Change category.



Interbrand

Best Green Brands, Best Global Brands

Interbrand ranked UPS among its "Best Global Green Brands," and we were also included on the list of Interbrand's "Best Global Brands" for the 9th consecutive year.



Ethisphere Institute

"World's Most Ethical Companies"

For the 7th consecutive year, UPS was one of the "World's Most Ethical Companies" recognized by Ethisphere Institute for the quality of ethics and compliance programs.



U.S. CHAMBER OF COMMERCE FOUNDATION
Corporate Citizenship Center

U.S. Chamber of Commerce Foundation

Citizens Awards

UPS was named Best Corporate Steward, the highest recognition given at the U.S. Chamber of Commerce Foundation's annual "Citizens Awards" program.



FORTUNE Magazine

"World's Most Admired Companies"

UPS was again voted by businesspeople as one of the "World's Most Admired Companies" according to Fortune Magazine. UPS has been on this list for more than 20 years.



The Civic 50

Most Community-Minded Companies

UPS was identified by The Civic 50 as one of the most community-minded companies in the United States.

3.0 Global Prosperity

Economic sustainability for UPS means helping our nearly ten million daily customers become more efficient in their shipping and logistics activities. We are always looking for new ways to combine our expertise, innovation, and commitment to sustainability into better solutions for customers – and a more prosperous global economy for everyone.

We consistently compensate our employees well, support small and diverse businesses with our purchasing power, and invest in more sustainable offerings for our customers. We also distribute a substantial portion of profits to shareholders, and pay our fair share of taxes to governments.

Then we do more. Our employees and The UPS Foundation provide financial support to thousands of non-profit organizations that help communities become more resilient by helping them become safer, greener, more inclusive, and more able to withstand and respond to disasters. Our employees also volunteer for many of these organizations around the world.

A thriving global economy makes UPS more sustainable in every way, which enables us to do more for our stakeholders and society.



3.1 Material Aspects in this Chapter

Earlier in this Report, we described our process for identifying material aspects of sustainability at UPS (see page 9). In this chapter, we discuss the following four UPS material aspects:

- Economic Performance
- Customer Privacy
- Digital and Physical Asset Security
- Disaster Preparedness and Response
- Sustainable Shipping and Supply Chain Offerings for Customers

In addition, this chapter contains information regarding a topic that arose from our materiality assessment process as a contextual trend that influences our economic sustainability:

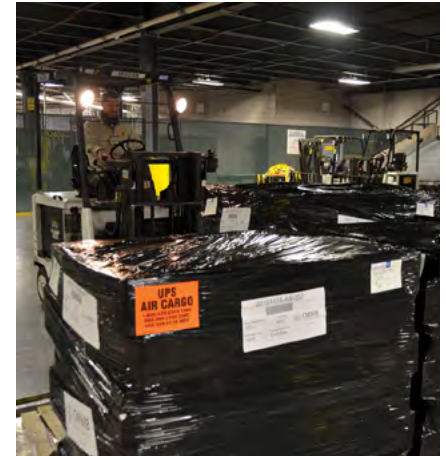
- Emerging Markets

Dubai, United Arab Emirates



Providing disaster relief, Cebu, Philippines

Staging medical supply shipment, Cebu, Philippines



3.2 Economic Performance

Our economic performance drives our sustainability as a company and as a corporate citizen. Generating profitable growth enables us to serve our customers with one of the world's most efficient logistics networks. It enables us to pay our people well, retain them, donate funds to community organizations that they volunteer with, and match a portion of the funds they donate to local charities via our annual United Way Campaign.

Robust economic performance enables us to sponsor, learn from, support, and advise world-leading non-governmental organizations that are dedicated to sustainability. It also enables us to invest in alternative fuel and advanced technology vehicles that help society better understand the challenges and limitations associated with vehicle and fuel technologies in the transportation and logistics industry.

As noted in the previous chapter, Economic Performance does not appear in our current materiality matrix, located on [page 10](#), because it is included in the definition of the x-axis in the matrix. This Report still provides full disclosure regarding Economic Performance. It is our most material aspect because, like most companies, our sustainability strategies and initiatives are enabled by our economic success.

G4-5 G4-7 G4-13 G4-17

Organizational Profile

We report on the structure of our organization, changes in our structure, and our financial performance primarily through our Annual Report and our investor relations website ([investors.ups.com](#)). In this Report, we focus on Economic Performance as it relates to sustainability. The organizational entities covered by this Report are those presented in our Annual Report.

UPS FINANCIAL HIGHLIGHTS

	2013	2012
EMPLOYEE COMPENSATION & BENEFITS*	US\$28.6 billion	US\$33.1 billion
TAXES PAID	US\$4.3 billion	US\$3.9 billion
LONG-TERM DEBT REPAYED	US\$1.88 billion	US\$0.02 billion
DIVIDENDS PAID TO SHAREHOLDERS	US\$2.3 billion	US\$2.1 billion
PAYMENTS TO SMALL AND DIVERSE SUPPLIERS	US\$858 million	US\$850 million
TOTAL CHARITABLE CONTRIBUTIONS	US\$102 million	US\$97.5 million
RETAINED EARNINGS	US\$6.9 billion	US\$8.0 billion

*In 2012, we incurred a pre-tax mark-to-market loss of US\$4.8 billion on a consolidated basis on our pension and post-retirement defined benefit plans. For a full discussion of this topic, please see page 25 of the [UPS 2013 Annual Report](#).

Material Issue for UPS: Economic

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Communities in which we operate
CORRESPONDING GRI G4 MATERIAL ASPECT	are	Economic Performance, Market Presence, Indirect Economic Impact, Procurement Practices
GRI GENERAL STANDARD DISCLOSURES	include	G4-3, G4-4, G4-5, G4-6, G4-7, G4-9, G4-13, G4-17
GRI SPECIFIC STANDARD DISCLOSURES	include	EC1, EC2, EC3, EC4, EC5, EC6, EC7, EC8, EC9

G4-3 G4-4 G4-6 G4-9

UPS FACTS – 2013

UPS

YEAR FOUNDED	1907
EMPLOYEES (at 9/30/13, full and part time, excluding contingent)	397,655 (320,590 U.S.; 77,065 International)
2013 REVENUE	US\$55.4 billion
SEGMENTS	U.S. Domestic Package, International Package, Supply Chain & Freight
WORLDWIDE OPERATING FACILITIES	2,700

PACKAGE OPERATIONS – U.S. and International

DAILY CUSTOMERS (Average)	9.4 million
RETAIL ACCESS POINTS	73,500
DAILY ONLINE TRACKING REQUESTS	Average 47.5 million daily tracking requests
DELIVERY FLEET	96,361
UPS AIRLINES JET AIRCRAFT IN SERVICE	237 in service (plus 388 charter)
2013 PACKAGES DELIVERED	4.3 billion

SUPPLY CHAIN AND FREIGHT

UPS Supply Chain Solutions®

KEY SERVICES	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding to 195 countries; international trade management and customs brokerage
SUPPLY CHAIN FACILITIES	528 facilities in more than 120 countries

UPS Freight®

KEY SERVICES	Leading provider of less-than-truckload and truckload services coast-to-coast in the U.S.
FACILITIES	213 Service Centers
DELIVERY FLEET	5,759

*All numbers are as of 12/31/2013, with the exception of employee numbers which are 9/30/2013 to omit seasonal hiring.

3.2 Executive Statement



Kurt Kuehn

Chief Financial Officer



As a CFO who advocates sustainability, I've noticed that many of my peers take a lukewarm view of the idea, perhaps because they don't see how sustainability can produce returns for a business. I believe companies have a responsibility to contribute to society and the environment, and that every investment a company makes should return value to the business. These beliefs don't have to be at odds if companies align their sustainability investments with company strategies, so that each gives more momentum to the other. Here's a five-step program adapted from our experience at UPS.

1. Assess Your Strengths

What does your company have to offer that could make a big difference? Find out by assessing your core competencies, infrastructure, and relationships as part of your sustainability strategizing. You will probably discover strengths that charitable partners often lack, such as capital, specialized knowledge and experience, relationships, processes, physical assets, personnel, and infrastructure.

2. Choose Your Spots

Finding the right space for your efforts in sustainability has to begin with narrowing down the field somehow. You might take cues from either external stakeholders or internal managers. Stakeholders include customers, shareholders, and

"I believe companies have a responsibility to contribute to society and the environment, and that every investment a company makes should return value to the business."

suppliers that increasingly prefer to do business with companies they see as responsible – but also activists, who may be a risk. Managers know the company's capabilities, cost structure, and objectives well, and can see the strategic fit of one proposed initiative versus another. We think both these perspectives are important, and we combine them in a materiality matrix. Our latest materiality matrix is on [page 10](#) of this Report.

3. Find Momentum

Focus on areas of sustainability where energy is already in motion and where your company's additional efforts could make a big difference. Ideally, your existing operations and initiatives will dovetail with societal or environmental needs for which others are already driving change. Take the 2001 decision at Starbucks to source coffee beans according to "fair trade" principles that had been in existence for some 40 years. That move aligned with the coffee retailer's rapid global expansion, and it advanced the fair trade movement in terms of both public visibility and business requirements.

4. Build Productive Partnerships

Some companies, including UPS, have developed decades-long partnerships with NGOs and non-profits. By now, the parties have mutual respect and truly collaborate on initiatives that will

produce impressive and demonstrable results. But most companies just sign up for existing projects on the assumption that they and the NGO will figure out some way to shoehorn in the company's strengths.

In business, proposed combinations always involve a lot of due diligence. The same should be true of joint projects between NGOs and businesses. This helps explain why UPS today makes few one-off philanthropic contributions. With all aspects of our sustainability program guided by a materiality matrix, and a plan to find and increase momentum, we aim to form connections between initiatives and create cumulative effects.

5. Convene Other Sources of Strength

Large businesses all participate in networks of organizations, in their extended supply chains and across their industries. They have the power to convene other players and combine their strengths. If they do so for a good sustainability cause, they can add even more to its momentum.

When you approach sustainability from a position of strength, the line between the two realms of value creation – helping to make the business profitable and helping to keep the planet well – begins to blur. As I've noted, business competencies can reveal social possibilities. At the same time, successful sustainability work can inspire improvements in your business as well.

Adapted from "Sustainability a CFO Can Love" by Kurt Kuehn with Lynnette McIntire, published in Harvard Business Review.

Management Approach to Economic Performance

Making Commerce More Resource-Efficient

Our primary role in society is connecting individuals and organizations in more than 220 countries and territories. In 2013, we delivered an average of approximately 16.9 million packages each business day, a 3.9 percent increase from 2012 driven primarily by a surge in e-commerce. Our contribution to sustainability is to make these connections as resource-efficient as possible – and far more efficient than our customers could do on their own. We:

- Make the best use of a broad range of transportation modes – airplanes, trains, ships, trucks, cars, carts, bicycles, and more – to meet our customers' service demands and reduce our impact on the environment.
- Equip, load, and route every vehicle and airplane we own for maximum efficiency; this minimizes the miles we travel while maximizing the amount of shipping we can accomplish.
- Operate a single, integrated transportation network rather than multiple, redundant networks for different types of services.
- Operate a large, diverse, and expanding fleet of alternative fuel and advanced technology vehicles to reduce our emissions and help society test new automotive technologies.
- Design and maintain our facilities for maximum efficiency. We also operate multi-client facilities that help everyone minimize energy, water use, and waste.
- Create new services that benefit customers and the environment at the same time, such as UPS Smart Pickup™ and UPS Access Point™, which helps us reduce unnecessary visits to customer locations.

- Offer logistics consulting services to help customers make their supply chains more efficient and manage their carbon footprint more successfully.



Direct Economic Benefits

Our management approach to Economic Performance results in many direct economic benefits, which are presented in the following paragraphs.

Revenue and Operating Costs

UPS generated US\$55.4 billion in revenue in 2013, and US\$48.4 billion of that total was paid to others for operating costs.

Wages and Benefits

Good jobs and compensation packages make employed workers a positive economic force

UPS warehouse, Singapore



throughout the world, and we are one of the world's largest private employers, with a commitment to competitive pay and benefits. Our global workforce of 397,655 people (as of September 30, 2013) included 77,065 people located outside the United States. In 2013, we paid US\$28.6 billion to provide compensation and benefits for full-time and part-time employees.

Pension and Post-Retirement Obligations

We provide detailed disclosures and discussions about our pension and post-retirement plan obligations in our Annual Report, primarily in Notes 4 and 5 to the Consolidated Financial Statements beginning on page 73 of the [Annual Report on Form 10-K](#).

Payments to Governments

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2013, UPS paid US\$4.3 billion in taxes worldwide.

3.2 Customer Statement



John Frey

*Americas Sustainability
Executive, HP*



When HP began doing business outside the United States in the 1950s, the founders of the company had a vision that HP would be a good corporate citizen wherever the company went. The goal was to be welcomed into other countries, not just accepted. Today, HP is welcomed in more than 170 countries around the world.

With every passing decade, responsible corporate citizenship has become embedded even deeper in the company. For example, in 1992 we established our Design for Environment (DfE) requirements to transform the way we design and build our products. We started using fewer and lighter materials, without reducing the quality and reliability of our products. We designed them to use less energy and so they could be more easily recycled.

The next step for HP was reducing greenhouse gas emissions, beginning with our operations. Then, in 2008, we committed to reducing the emissions associated with the use of HP products by our customers. In both cases, we met our goals early and then established new reduction goals. In 2013, we took another big step by setting a greenhouse gas emissions reduction goal for our supply chain. We want to drive a 20 percent decrease in greenhouse gas emissions intensity

from our first-tier manufacturers and product transportation partners by 2020 compared with 2010. We're the first IT company to set a goal like this.

We focused on greenhouse gas emissions because they are a common currency around the globe. It doesn't matter what business you're in, or what language you speak – we all generate emissions and they all go into the same atmosphere that everybody shares.

We also recognize that most of our emissions come from two sources. More than 60 percent of our emissions impact is from the hundreds of millions of people using our products all around the world. Our second largest emissions impact – our supply chain – accounts for about 36 percent of our overall emissions profile.

That's one reason why we decided to focus our greenhouse gas reduction goal on our supply chain. We work with world-class companies that care deeply about sustainability. We collaborate closely, and we face a lot of the same challenges. Together we can make a difference, and individually we can take what we achieve and push it out even further into more supply chains, in more countries.

“Greenhouse gas emissions are a common currency around the globe. It doesn't matter what business you're in, or what language you speak – we all generate emissions.”

UPS is one of the companies that will not only help us achieve our emission reduction goal, but also shares our commitment to responsible corporate citizenship. In fact, HP and UPS have been working on this topic together for many years already. For example, UPS handles logistics and transportation for our spare parts, because they can do that with a much smaller carbon footprint than we can – and at a lower cost. We're also collaborating in regional carbon reduction initiatives such as Green Freight Asia.

One of the fruits of our collaboration is being able to meet our customer demands with lower-emission transportation options. There was a time when we had to ship popular products by air because the rest of the logistics equation was slow. We can move many more products by sea, which saves money, reduces fuel consumption, and avoids greenhouse gases. And we're still keeping our customers satisfied.

In the end, this is how the best sustainability solutions work – they make sense for the business. With supply chain partners such as UPS, we believe reducing our emissions footprint will be more than a win for the environment. It will create value for us and our customers, and for the communities around the world that welcome us.

Indirect Economic Benefits

Our management approach to Economic Performance results in a range of indirect economic benefits, which are presented in the following paragraphs.

Total Charitable Contributions

Our Key Performance Indicator (KPI) for indirect economic benefit is the sum of charitable in-kind contributions by UPS, The UPS Foundation (our philanthropic arm), and UPS employees, retirees, and their families. In 2013, total charitable contributions were US\$102 million, an increase from US\$97.5 million in 2012. Our 2016 goal for this KPI is US\$103 million.

UPS contributed US\$42.9 million to The UPS Foundation in 2013. A substantial majority of that funding was directed to grant recipients in the following 12 months. We also contributed in-kind

TOTAL CHARITABLE CONTRIBUTIONS ALLOCATIONS

January 1 – December 31, 2013

PROGRAM AREA	ALLOCATION
LOCAL GRANTS	US\$9.4M
CORPORATE GRANTS	US\$22.2M
IN-KIND SERVICES	US\$2.0M
INTERNAL SCHOLARSHIP PROGRAMS	US\$1.9M
UNITED WAY CORPORATE CONTRIBUTION	US\$7.8M
CHARITABLE CONTRIBUTIONS AND SCHOLARSHIPS	US\$7.4M
THE UPS FOUNDATION CONTRIBUTION TOTAL	US\$50.7M
UNITED WAY EMPLOYEE CONTRIBUTION (ACTIVE & RETIRED)	US\$51.3M
TOTAL CHARITABLE CONTRIBUTIONS	US\$102.0M

donations worth US\$2 million, primarily in the form of transportation services such as air flights for humanitarian relief (see page 36). This in-kind contribution, along with The UPS Foundation grants, scholarship program donations, and other charitable contributions, allowed The UPS Foundation to contribute US\$50.7 million in 2013 (see table). This figure included a 15 percent match of employee contributions to the United Way, a major non-profit provider of community-based social services in the United States and Canada. In 2013, contributions to United Way from UPS employees, retirees, and family members totaled US\$51.3 million, and the matching donation from The UPS Foundation was US\$7.8 million.

Local Points of Presence

We have 73,500 points of retail presence around the world to help entrepreneurs participate more equally in the global economy. These local-language, locally staffed outlets provide small and diverse businesses with one-stop access to our global network, including the products, services, and tools entrepreneurs need for shipping locally and internationally. In addition to local points of presence, UPS Capital Corporation offers financial

solutions that help small businesses manage risks and protect their finances.

Franchise Support

We provide substantial indirect support for nearly 4,800 franchise owners of The UPS Store™ locations in the United States and Canada, to help them succeed in serving the businesses around them. In 2013, The UPS Store became the first nationwide retailer to offer in-store 3D printing. Start-ups, entrepreneurs, and small business owners may not have the capital to purchase a 3D printer on their own, but still need to develop low-cost prototypes. The first six test locations are located in Menlo Park, California (near San Jose); San Diego, California; Lisle, Illinois (near Chicago); New York, New York; Frisco, Texas (near Dallas); and Washington, D.C.

Support for Free Trade

We have seen the benefits of free trade for businesses, communities, and countries of all sizes. We believe these benefits can continue to flow for decades to come if society maintains support for free trade. We continue to make this case to legislators, policy-makers, and other influencers through a variety of venues.



EC9

Local Procurement

We purchase goods and services from local vendors in thousands of communities around the world, which helps them increase spending in their own local supply chains. In 2013, UPS directed 53 percent of all procurement spending to local suppliers. Excluding fuel, the portion of procurement with local suppliers rises to 68 percent. We describe our locations of significant operations below, under “Additional Contextual Information”.

Direct Investment

The UPS Strategic Enterprise Fund invests in companies that have a strong strategic fit with UPS. The Fund usually invests in early-stage, privately held companies during their venture capital phase, and our preferred investment range is US\$250,000 to US\$1,500,000.

EC7

Infrastructure Investments and Services Supported

UPS generally does not invest in infrastructure and services specifically for the benefit of local economies. Instead, we continually invest in our global logistics network, so that it can benefit all our communities by facilitating commerce and providing jobs.

EC2

EC4

EC6

Additional Contextual Information

Because UPS operates in more than 220 countries and territories around the world, it is extremely difficult to define “local” and “significant” operations. In total, we have approximately 2,700 operating facilities worldwide. In addition to our headquarters, which is located in Atlanta, Georgia, and our UPS Supply Chain Solutions™ group’s headquarters, which is located in

Alpharetta, Georgia, we own or lease well over 1,000 package operations facilities in the U.S. We also own or lease more than 800 facilities that support our international package operations and more than 500 facilities that support our freight forwarding and logistics operations.

Our principal air hub, known as Worldport™, is located in Louisville, Kentucky. We also have regional air hubs located in Dallas, Texas; Ontario, California; Philadelphia, Pennsylvania; and Rockford, Illinois. Our European air hub is located in Cologne, Germany, and we maintain Asia-Pacific air hubs in Shanghai, China; Shenzhen, China; and Hong Kong. Our regional air hub in Canada is located in Hamilton, Ontario, and our regional air hub for Latin America and the Caribbean is in Miami, Florida. For a full description of our operating facilities around the world, please see page 18 of our [Annual Report](#).

Local Management

We hire nearly all senior managers within their home country. More than 99.5 percent of full-time management employees worked in their home country in 2013. Only 185 full-time managers were expatriates, out of a total of 44,790 full-time management employees. Within the United States, most of our managers are hired from their local community as well.

Government Assistance

UPS does not receive significant financial assistance from the government. We do participate in public-private partnerships that may involve tax incentives, such as the Interstate Clean Transportation Corridor (ICTC) in the United States, or certain incentives related to our purchase of alternative fuel vehicles, but financial assistance is not the main reason we participate. Primarily, we seek to advance our own knowledge and capabilities in ways that help society develop important new transportation options and infrastructure. Achieving these two goals enables us to deliver greater benefits to our customers, investors, employees, and other stakeholders.

Climate Change

Our main economic risk currently related to climate change is a regulatory risk: the possibility that countries or regions of the world will increase regulation of greenhouse gas (GHG) emissions to include significant new taxes, fees, or other costs for transportation and logistics companies. It is impossible to quantify this risk today because different countries and regions, not to mention individual states within the United States, are following different paths with regard to climate change and associated regulation. Our main strategies for managing this risk include continually improving the fuel efficiency and emissions efficiency of our business, and educating policy-makers and the public about our contributions to making commerce more carbon-efficient for millions of companies.

The main opportunity related to climate change is economic: being able to compete even more effectively under increased regulation related to climate change, because of our proven capabilities for measuring, managing, and mitigating greenhouse gas emissions.

Policy

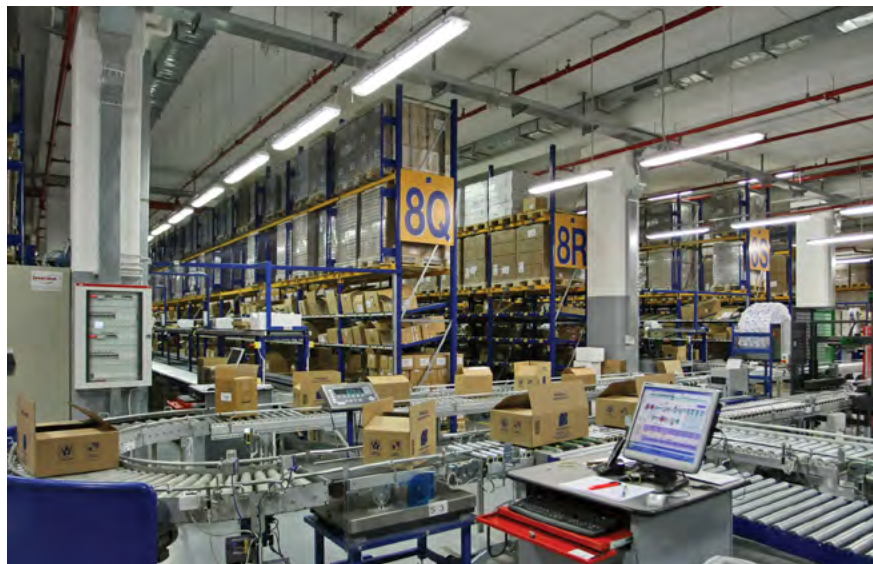
UPS Code of Business Conduct states our policies for how we operate in the marketplace. We publish the Code along with our strategy, mission, and values on our website (investors.ups.com).

3.3 Customer Privacy

UPS holds one of the largest private databases of customer information in the world, including data related to nearly every shipping address in North America and millions more around the world. Our processes are designed to carefully safeguard this information. In addition, we believe (based in part on stakeholder engagement) that our reputation for protecting customer data is a competitive advantage in a crowded global marketplace.

Material Issue for UPS: Customer Privacy

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Select external stakeholders
CORRESPONDING GRI G4 MATERIAL ASPECT	is	Customer Privacy
GRI SPECIFIC STANDARD DISCLOSURES	include	PR8



Supply Chain
Solutions
distribution facility,
Rome, Italy

PR8

Management Approach to Customer Privacy

Our management approach to data privacy rests on two fundamental principles. The first is that we use customer information for the purpose of improving our service to customers. The second is that we treat privacy as a matter of forethought, not afterthought.

Our “privacy by design” approach means that whenever we launch a new product, program, or strategy involving customer data, data privacy is a top design consideration. For example, when we designed our popular UPS My Choice™ service to give domestic customers more control over shipping times and locations, we incorporated data privacy protections into the design. As we evaluate global opportunities, we also strive to anticipate compliance issues in countries where data privacy laws are different than those in the United States.

We inform our stakeholders about our policies in the Privacy Notice on the home page of our website. The Privacy Notice describes the measures we take to safeguard personal information we collect and how consumers can contact us with questions about our privacy practices. We offer an easy-to-use Privacy Preferences Center that enables our consumers to make meaningful choices about how we use their personal information. Behind the scenes, we are continually improving our IT systems, business practices, training, and monitoring to help keep customer data private. This challenge is particularly complex because the same Internet that makes customers more interested in online services and IT-enabled offerings also increases the risk of theft or misuse of personal data.

One of the primary mechanisms for evaluating and adjusting our management approach to data privacy is our cross-functional Information Security Council led by Victoria King, Global Privacy Officer (see [page 29](#)). The Council oversees data privacy issues, and it reports to our Management Committee. In its first full year of operation in 2013, the Council focused its *Continued* →

authority and resources in such vital areas as policy, communication, and training. We have not experienced any breaches of customer data privacy that have required disclosure in our financial reports.

Other important actions in 2013 included the following:

- Expanding our Information Use and Privacy Manual, particularly to address data privacy issues in our International Package business.
- Making the Manual part of mandatory training for all managers.
- Preparing training on the Manual for non-management employees beginning in 2014.
- Identifying privacy officers from among our employees working in countries outside the United States, so that UPS, customers, regulators, and authorities have a designated local-language contact person for addressing local data privacy issues.
- Adding a description in our Annual Report of risks associated with a significant privacy breach or IT system disruption.
- Working to institute global training and a global privacy awareness week beginning in 2014.
- Working with our internal audit and compliance teams to add information security and data privacy topics to their audit and review processes.
- Working with our information security team to ensure that privacy concerns are identified early in the process review cycle.

UPS Perspective



Victoria King

Global Privacy Officer

Privacy is one of the most dynamic areas of public policy in the world today.

While technology has brought amazing benefits to society, it has moved ahead of laws and policies that are supposed to protect our privacy. Now everyone is waking up to the issues and challenges.

Many countries are rushing to bring their laws and policies up to date, while countries in Europe push ahead to harmonize their policies and make them collectively stronger.

At UPS, our business has been based on trust since the beginning: People hand us their goods and documents to deliver to someone else. We treat customer data the same way: trust comes first. That's why we design data privacy into every product and service, and into every information system.

That's also why we strive to be fully transparent about our approach to privacy with our customers. We recognize that trust is no longer just about protecting package contents, but also about preserving privacy – we do everything we can to keep it safe so that we continue to earn our customers trust.

3.4 Digital and Physical Asset Security

We operate more than 100,000 ground vehicles and one of the world's largest air cargo fleets, from more than 2,700 facilities, data centers, and office sites around the world. We also maintain, and continually expand, one of the largest private databases in the world. It is vital to our sustainability to keep all of these digital and physical assets secure, because in the wrong hands they could be used against us, our customers, our employees, society, or the environment.

Material Issue for UPS: Digital and Physical Asset Security

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
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ASPECT BOUNDARY OUTSIDE UPS	is	Not material
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CORRESPONDING GRI G4 MATERIAL ASPECT	are	Customer Privacy
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GRI SPECIFIC STANDARD DISCLOSURES	include	PR8
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For disclosures regarding customer privacy, see [page 28](#).

▶ A component of driver training includes keeping customer shipments secure



PR8

Management Approach to Digital & Physical Asset Security

We have always placed top priority on the security of our equipment, the security of our customers' shipments, and the privacy of customers' personal information. The things that change are the potential threats we face and our methods for addressing them.

Unfortunately, the potential threats to digital and physical assets are increasing. Some of these are widely covered in the media, such as cyber-crime and terrorism. Many others are not widely reported, such as aging roads and bridges, increases in air traffic and airport congestion, and the wide variation in the safety of transportation infrastructure around the world.

We continually consult with port and border authorities, regulatory and law enforcement agencies, and customers and other stakeholders to understand security issues. We modify our vehicles, systems, methods, and training as appropriate to keep customer shipments secure. These efforts cover our air and ground fleets, our facilities, and our information technology systems. We are not free to disclose details of many of these efforts because confidentiality is essential to anti-crime efforts or required by some customer relationships.

In past Reports, we have described implementation of new techniques and technologies for safer and more efficient air traffic control as part of the "NextGen" program at the U.S. Federal Aviation Administration. In 2013, we added new training to help our drivers and back-office workers identify potential misuse of our network by illegal online pharmacies (see [page 82](#)).

3.5 Disaster Preparedness and Response

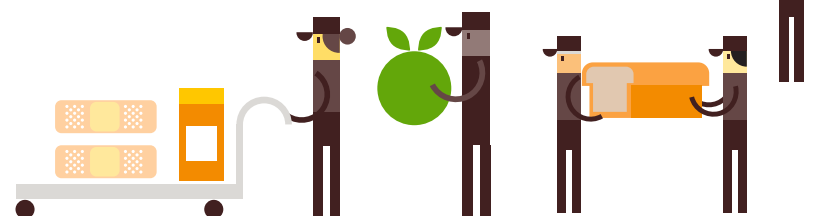
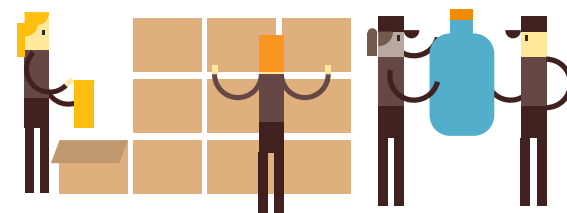
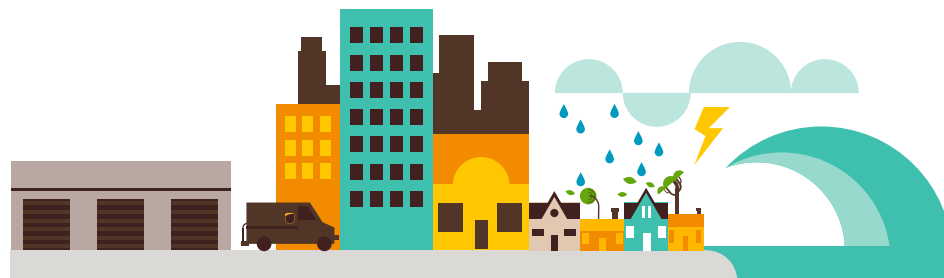
Natural and human-caused disasters are almost always economic disasters above and beyond their human costs. They ruin businesses, destroy infrastructure, displace residents and merchants, and bring most forms of productive commerce to a halt. It is important to our sustainability that our employees and customers live in resilient communities that bounce back from disasters efficiently and effectively.

Material Issue for UPS: Disaster Preparedness and Response

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Communities in which we operate
CORRESPONDING GRI G4 MATERIAL ASPECT	are	Indirect Economic Impacts
GRI SPECIFIC STANDARD DISCLOSURES	include	EC7, EC8

Management Approach to Disaster Preparedness & Response

At UPS, we're committed to making communities more resilient to crises and disasters. Our strategy for resilient communities rests on four pillars: increasing community safety, enhancing diversity and equal opportunity, stewardship of the environment, and fostering a culture of volunteerism (see [page 32](#)).



The UPS Foundation

We help communities become more resilient primarily through The UPS Foundation, which receives all its financial resources from UPS (see page 26). In 2013, we provided US\$7.5 million in humanitarian relief funding and assisted with 250 humanitarian shipments across 46 countries. We encourage readers of this Report to visit The UPS Foundation online or refer to its Social Impact Report for more information.

In 2013, The UPS Foundation channeled funds to more than 4,300 organizations. Among those, 26 support disaster preparedness and response. These include the U.N. Office for the Coordination of Humanitarian Affairs, UNICEF, the U.N. High Commissioner for Refugees, the U.N. International Strategy for Disaster Reduction, the U.N. World Food Programme, CARE, National VOAD, Salvation Army, and American Red Cross. Others are grass-roots organizations that have become nationally recognized for their success with resilient communities, such as the St. Bernard Parish project in the United States.

The UPS Foundation helps these organizations accomplish three vital tasks:

- Prepare communities and relief agencies so that they have the right knowledge, resources, and processes in place before a crisis arises.
- Support urgent relief efforts in the hours and days immediately after a crisis hits.
- Provide financial support for long-term recovery.

In addition to providing the funds that The UPS Foundation directs to programs and agencies, UPS donates in-kind services, transportation, technology and supply chain solutions using our air and ground fleets.

UPS Perspective



Eduardo Martinez

*President,
The UPS Foundation*

A resilient community is one that can withstand and recover quickly from adversity. Everything we do at The UPS Foundation helps communities become more resilient. We focus in areas where we add value through leadership and have a multiplier effect beyond the financial and in-kind contributions from UPS and donations by our employees.

UPS and our employees have given over US\$1.2 billion to United Way – more than any other company, ever. We chose United Way because the money goes to vetted local agencies that serve their communities.

Everyone needs a healthy environment, and our Global Forestry Initiative supports research, education, and tree planting around the world, which helps offset carbon emissions.

We are a major supporter of diversity and inclusion in the United States, because integrated communities are inherently more resilient. Many of our funding relationships go back decades. Yet we also remain agile to the underserved, such as with our recent commitments to veterans.

Community safety is another major focus for us. We teach safe driving in five countries, and provide helmets to children in Southeast Asia. We help the world's top disaster relief agencies get better at logistics and transportation. When disaster strikes, we go into action with them. And when it's time to rebuild, we fund programs for long-term recovery.

Finally, we give our time. Non-profits and NGOs rely on volunteers for approximately one third of their staffing needs, and UPSers donated nearly 1.8 million volunteer hours in 2013. We are making our own communities more resilient everyday, and doing our part for those around us.



◀ The reception center at Ifo camp in Dadaab, Kenya. Photo credit: ©2011 Evelyn Hockstein/CARE

Disaster Preparedness

Preparing for disaster is one of the best sustainability investments society can make. When disaster strikes, prepared communities need less time to respond, fewer resources to rebuild, and less financial aid from governments. Most importantly, they can restore their economic prosperity more quickly. In 2013, we created a formal program, called UPS Relief Link™, to enhance our disaster preparedness and response capabilities for humanitarian relief agencies.

Distribution Efficiency for Relief Agencies

One of our fastest-growing UPS Relief Link™ programs in recent years is helping aid agencies expand or improve their logistics and IT capabilities. In 2013, for example, we helped The Aidmatrix Foundation, which provides relief agencies with a range of support services including a commodity tracking system (CTS). We provided US\$100,000 worth of in-kind support to Aidmatrix and also provided US\$375,000 to make CTS more widely available. Leading aid agencies that use CTS include CARE, Save the Children, and Catholic Relief Services. A notable example is in Dadaab, Kenya (see photo) where refugees from Somalia and other countries live in what is often described as the largest refugee camp in the world.

Risk Awareness in Turkey

Rapid economic growth in Turkey over the past decade has included the formation of countless small businesses. Many small business owners are unprepared to deal with consequences of earthquakes and other disasters. So The U.S. Chamber of Commerce Foundation Corporate Citizenship Center and The UPS Foundation, along with the Corporate Social Responsibility Association of Turkey and the World Economic Forum, launched a pilot program that empowers government and non-governmental agencies in Turkey to teach small business owners about disaster risks and how to prepare. The UPS Foundation made a grant of US\$460,000 to support the program (see [page 35](#)).

Making the World More Sustainable

Community Safety

Donated more than 8,000 helmets to students and teachers in Thailand, Cambodia, and Vietnam.

Volunteerism

During our Global Volunteer Month (GVM) in October, more than 20,000 UPSers recorded more than 300,000 hours of service in more than 50 countries.

Diversity

Supported diverse initiatives for veterans of the U.S. military, including programs to promote job access and vocational training for veterans.

Environmental Sustainability

Planted more than 1.3 million trees around the world as part of our Global Forestry Initiative and committed to planting a million more in 2014.



3.5 Stakeholder Statement



Serdar Dinler

*President, Corporate Social
Responsibility Association of Turkey,
Board Member, CSR - Europe*



Alfonso Martinez-Fonts Jr.

*Executive Vice President, U.S.
Chamber of Commerce Foundation*



U.S. CHAMBER OF COMMERCE FOUNDATION
Corporate Citizenship Center

Natural disasters impact communities in a number of ways. They disrupt lives, bring economies to a halt, and devastate the local environment. A catastrophic event is also complex, often affecting the global economy, geopolitics, and our social networks in ways that are not well understood. Humanitarian aid and disaster recovery are essential to responding effectively to disasters but they are only part of the equation. Preparedness is also vital. By building resiliency, implementing effective response systems, and helping communities rebuild, the entire system of disaster preparedness and response can be more successful.

This is especially critical for small and medium-sized enterprises (SMEs) that are the lifeblood of local economies. While large organizations often have the resources to prepare, small ones typically do not, even though the risk of business interruption is much greater because their operations are concentrated in one location or community.

This difference becomes a major social issue in countries that have both a high risk of natural disaster and a high percentage of SMEs. Turkey is such a country. During recent years, thousands of entrepreneurs have played a role in Turkey's rapid economic growth, often by forming new small businesses in communities throughout the country. Yet earthquakes have cost the country an estimated US\$2.9 billion over the past decade. That's why the World Economic Forum's Global Agenda Council on Disaster Management together with The UPS Foundation recommended Turkey as a pilot site for developing a collaborative approach to promote disaster resilience among small and medium-sized businesses.

The result was "Sağlam Kobi", which means "robust small business." Sağlam Kobi is a collaborative program led by the Corporate Social Responsibility Association of Turkey, the U.S. Chamber of Commerce Foundation Corporate Citizenship Center (CCC), The UPS Foundation, and the World Economic Forum to transform

small business disaster preparedness in Turkey. The project is designed to address the three main reasons that SMEs are not prepared for disasters: they don't have the time to create their own disaster preparedness programs, they lack funds to pay for existing tools, and they need training to apply the tools if they acquire them. Sağlam Kobi brings Turkish SMEs the DRB Toolkit®: an established, successful system that was originally developed in the United States and which we have adapted for Turkey. The UPS Foundation grant pays for the toolkit licenses for SMEs and underwrites a training program organized by the Corporate Social Responsibility Association of Turkey.

The launch of the project in Istanbul was an international event, with attendees representing many organizations from both inside and outside Turkey. The training phase of Sağlam Kobi began shortly afterward. It is reaching tens of thousands of SMEs around the country, often with the support of local chambers of commerce. This success has attracted the attention of other SMEs, and also interest from large businesses in Turkey that may include aspects of Sağlam Kobi in their own disaster preparedness systems.

We believe this project is of great benefit to the people and economies of both Turkey and the United States, not just because it promotes disaster resilience. It also promotes communication, collaboration and goodwill between the public and private sectors of both nations. And next time there is a significant earthquake in Turkey, we believe that the affected entrepreneurs and SMEs will be better prepared to restore their economic prosperity and renew the vitality of their communities.

Small businesses in Turkey are gaining disaster preparedness tools and training with financial support from UPS

Sorting canned food for survivors of Typhoon Haiyan, Cebu, Philippines



UPS Support for Resilient Communities in 2013

Philippines

After Typhoon Haiyan (known locally as Yolanda), The UPS Foundation pledged US\$1 million in financial and in-kind support to relief agencies, including the U.N. World Food Programme, UNICEF, CARE, UNHCR, Medshare, Salvation Army, and the Philippines Red Cross. UPS donated in-kind flights from the United States and China to the Philippines, carrying 15,000 pounds of medicines and medical equipment along with 20,000 tarpaulins to help cover the roofs of homes that were severely damaged or destroyed. UPS logistics specialist and Philippines native Oliver Bartolo was assigned to the Logistics Emergency Team of the U.N. World Food Programme to help guide logistics strategy and execution.

Syria

UPS donated a flight by a UPS Airlines jet to carry 220,000 pounds of emergency aid to Erbil, Iraq, so that it could be delivered overland to help displaced Syrian children and families. The cargo included food and water, health and sanitation kits, tents and mats, and education supplies.

Kenya

The world's largest refugee camp, in Dadaab, Kenya, got more efficient with relief supplies in 2013 thanks to a new commodity tracking system developed by Aidmatrix Foundation and implemented by CARE, an aid agency working in the camp. UPS helped improve the system, and has donated funds to make sure it becomes an even bigger positive factor for the millions of people worldwide who are affected by natural or man-made disasters.

United States

Superstorm Sandy was in the headlines for weeks in 2012. For residents of New York and New Jersey, recovering from Sandy may take years. With US\$1.75 million in funds from The UPS Foundation and in-kind support from UPS, a variety of local agencies, including the United Way, Operation Hope, and the St. Bernard Project helped residents to recover economically and rebuild houses and communities in 2013.

United States

Disaster relief is one of the toughest supply chain challenges there is. Aid agencies must take in donations, transport them to disaster sites anywhere, and distribute them under sometimes chaotic conditions. In August 2013, UPS hosted 13 agencies and affiliated organizations for more than two days of free supply chain workshops in Louisville, Kentucky.

Turkey

Preparing for disaster rarely makes the news, but it did in Istanbul, Turkey in 2013. The UPS Foundation provided a grant of US\$460,000 to raise awareness among Turkish small business owners of disaster risks, how to prepare for them, and how to respond. The UPS Foundation launched the Sağlam Kobi ("Robust Small Business") project in Istanbul with The U.S. Chamber of Commerce Foundation Corporate Citizenship Center. The UPS team in Turkey and a local organization known as CSR Turkey are conducting ongoing training sessions to enhance disaster resilience among small businesses in Turkey. The online Sağlam Kobi Disaster Preparedness Toolkit is now available to more than 300,000 businesses.

3.6 Sustainable Shipping & Supply Chain Offerings for Customers

We know that our customers appreciate having numerous choices for how to balance speed and cost when they ship with us. We're also giving them more sustainable choices, so they can do more for the environment and society. Below we describe some examples of how we are creating and delivering sustainable shipping and supply chain offerings for customers.



▲ Loading package delivery vehicles, Singapore

▶ Supply Chain Solutions facility, Rome, Italy



Carbon Impact Analysis

Our corporate customers are often surprised to learn that we can calculate how many metric tonnes of greenhouse gases arise from their shipping activity with us. They're even more surprised to discover all the techniques we use to reduce their carbon impact and still provide the speed and global reach they demand. Based on this information, customers are asking us to advise them on how to operate their logistics more efficiently.

UPS My Choice™

We make millions of customer visits every business day – and we want every one to count. That's why we developed our UPS My Choice™ service. Customers who sign up receive online notification about when UPS plans to make a delivery to them, and can adjust delivery dates or locations. This is more convenient for them, and we avoid unnecessary miles of driving (and greenhouse gases) for unsuccessful delivery attempts. By the end of 2013, nearly 7 million customers had registered for UPS My Choice. In 2013, we launched the new UPS™ application for use on iPad™ devices that supports UPS My Choice customers with easy access to shipping information.

UPS Smart Pickup™

Another way customers can reduce unproductive customer visits is by signing up for our UPS Smart Pickup™ service. They can then schedule pickups by a UPS driver when needed. UPS Smart Pickup is more convenient and efficient for everyone, and

it's better for the environment because it helps us avoid driving to and stopping at businesses that have nothing for us to pick up that day. At the end of 2013, approximately 100,000 customers had signed up for UPS Smart Pickup. Overall, UPS offers one of the broadest portfolio of pickup options.

UPS Access Point™

Sometimes the best place for a pickup or delivery isn't your home or office. In six European countries, our customers can use a UPS Access Point™ location in a convenience store, petrol station, or some other business with extended operating hours. This increases convenience, cuts down on unsuccessful deliveries, and reduces environmental impacts for everyone. At the end of 2013, we had more than 11,300 UPS Access Point locations in Europe, and plans for a total of more than 13,000 in 2014.

Validated Carbon Neutral Shipping

At UPS, we offer an easy, low-cost way to offset the carbon emissions associated with shipping a package or document. Corporate customers can contract with us for automatic carbon neutral shipping, and occasional customers can just click on a "carbon neutral" button when they set up a shipment online. Customers can use our carbon neutral shipping service from 36 countries, and ship to any other location around the world. Best of all, we don't limit our carbon neutral shipping service to envelopes – customers can also offset shipments of packages, cargo, and freight.

Our carbon calculation methodology and processes are certified by The Carbon Neutral Company and verified by SGS. Our offsets include tree planting and biomethane capture projects that benefit the environment directly. With our ability to comprehensively measure carbon emissions arising from our global logistics activities, we can offer precise offsets that truly address the carbon impact of individual deliveries of all kinds. For more information on specific carbon offset projects and emissions offset in 2013, see Appendix B on page 91.

3.7 Emerging Markets

The rise of emerging economies is creating new consumer classes and opportunities around the world. In 2013, we assembled a team of seasoned managers with global trade expertise to guide our growth strategies in these economies. Heading the team is Derek Woodward, a 28-year veteran of UPS who helped us build our business in China. We also created a new operating district for the Indian subcontinent, the Middle East, and Africa. Creating a new district means we are making a commitment at the highest level of the company to invest in this part of the world for the long term.

Many emerging economies started their rise by making access to North American markets a central part of their economic development programs. Now they have also established strong trading partnerships with each other. Over the past decade, emerging-to-emerging trade flows have grown 50 percent faster than trade flows between emerging markets and developed markets. Supporting these trade flows creates significant opportunity for both global and local customers.

Our strategy is to develop long-term, tailored solutions for the unique needs of these economies. That's why we are creating new bundled logistics solutions for both customers targeting the emerging markets for growth and for locally owned businesses exporting to other markets around the world. Providing contract logistics services, bundled with freight and package services, on key trade lanes such as those to the U.S. and Europe will accelerate growth for local businesses in many of these emerging economies. Coupled with UPS's trade compliance expertise and specific solutions for healthcare, retail, high tech, and industrial manufacturing, UPS can enable participation in global trade and help bring prosperity to communities and people in many emerging markets.

Developing the right solutions for emerging economies also requires the right way to deliver them. In many emerging markets, we partner with third-parties with capabilities and expertise specific to those markets. We view this as an opportunity to learn from their local knowledge and experience, and then apply those lessons more widely. This also ensures we are in tune with the unique needs of each market, which in turn helps us improve service, control costs, ensure compliance, and create opportunity for our customers.

UPS Perspective



Derek Woodward

*President,
Emerging Markets*

Connecting people is not just how we grow our business; it is also how we support global prosperity. With approximately 1 billion people from the developing world now entering the market for goods and services, the stage is set for a new boom in global trade. That's why we are innovating in new ways to service the world's fast-growing economies.

Our strategy in emerging markets is being guided by the needs of our customers – both those investing in emerging markets for growth as well as locally owned businesses exporting to other markets around the world. It is also supported by well-developed capabilities that allow us to bundle solutions and flex our network to meet their unique needs.

By investing in these markets, we are also investing in where our customers choose to grow and in the economies that will be a source of our next generation of customers. We believe that our strategy is sound, and that more logistics options ultimately enable more participation in global trade, which can help deliver prosperity to communities around the world.



4.0

Environmental Responsibility

Addressing climate change is a huge challenge. At UPS, we tackle major issues by combining global strategies with everyday actions that collectively add up to a big difference.

For example, our drivers carefully avoided millions of miles of driving in 2013, which saved energy and avoided greenhouse gas emissions. We filled trucks, planes, railcars, and ships for maximum efficiency, so we wouldn't waste fuel. And our pilots used a range of advanced techniques to span the globe as quietly and cleanly as possible.

The big strategic things also make a difference. Behind the scenes, we invested in vehicles that use low-emission fuels, in information technology that cuts down the miles we drive and fly, and in societal efforts to develop more sustainable fuels.

We understand the environmental challenges facing our society, and we are committed to finding more and better solutions wherever we can.



4.1

The Material Aspect in this Chapter



Earlier in this Report, we described our process for identifying material aspects of sustainability at UPS (see page 9). In this chapter, we discuss Energy, Emissions & Fuel Supply.

As the table below indicates, our material aspect of Energy, Emissions & Fuel Supply corresponds to three standard aspects in the GRI G4 framework: Energy, Emissions, and Environmental Grievance Mechanism. In addition, this chapter includes information about network efficiency and transparency in environmental reporting. While neither topic maps directly to the GRI G4 framework, they are fundamentally important to our stakeholders and to our overall sustainability program.

In the following paragraphs, we explain why each of the three components of Energy, Emissions and Fuel Supply are material to our business.

Material Issue for UPS: Energy, Emissions, and Fuel Supply

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Global providers of purchased transportation services
CORRESPONDING GRI G4 MATERIAL ASPECTS	include	Energy, Emissions, Environmental Grievance Mechanisms
GRI SPECIFIC STANDARD DISCLOSURES	include	EN3, EN4, EN5, EN6, EN7, EN15, EN16, EN17, EN18, EN19, EN21, EN34

Energy

Our role in global prosperity is to provide transportation and logistics that facilitate trade. In order to play this role for society, we use substantial amounts of energy, primarily in the form of fuel for our vehicles. We also need energy for the distribution facilities where we sort and route shipments for maximum efficiency, and for large data centers where our IT systems support our vehicles, facilities, and customers. For all these reasons, energy – buying it, generating it, and using it efficiently – is material to our sustainability for UPS.

Emissions

The great majority of the energy available to us comes from fossil fuels, which generate greenhouse gas emissions (GHGs). Like many other organizations around the world, we accept scientific findings that GHGs are a factor in climate change (our Climate Change Statement is posted on our website at www.ups.com/sustainabilityreport). As the world's largest package delivery company, it is therefore material to UPS and our stakeholders that we minimize and mitigate the emissions that arise from our energy consumption.

Fuel Supply

Because we depend on fuel to keep our promises to customers, we must ensure our access to quality fuels in sufficient quantities and in the categories that matter to our operations. This includes alternative fuels such as natural gas and biomethane. As markets for fuels and energy become more globalized, they become more competitive and more volatile. Prices and availability can vary dramatically from country to country, and from region to region within a country. They can also rise and fall, sometimes rapidly, based on weather, economic growth, geopolitical events, and demographic factors. Given these conditions, it is materially important to our sustainability to practice diligent, responsible fuel sourcing.



UPS Freight tractor-trailer, Columbus, Ohio, U.S.

4.2 Management Approach

Our management approach to Energy, Emissions and Fuel Supply focuses on reducing our carbon intensity. This means we aim to reduce the amount of energy and emissions per unit of work we do. It would not benefit society for UPS to do less logistics work for customers, because we can do it more efficiently for the economy and the planet than our customers can on their own. In other words, reducing our carbon intensity results in absolute carbon reductions for our millions of customers. That is why we strive to do more for customers, more efficiently than ever, while holding back the growth of our fuel use and greenhouse gas emissions. We have built an optimized global logistics network that enables us to achieve this, in combination with our global greenhouse gas reduction strategy.

Our primary strategies for reducing our carbon intensity include:

- Comprehensive measurement and reporting on energy and emissions throughout our entire enterprise
- Our global greenhouse gas reduction strategy, which embraces our ground and air fleets, facilities, customers, and suppliers
- Engagement with other organizations regarding our material aspects and related topics

Each of these strategies is described in this chapter. Information on our environmental policies and responsibility is provided on our website.

UPS Perspective



Steve Leffin

Director, Global Sustainability

Our commitment to leadership in sustainability reporting has shown us the power of transparency to drive change. A dozen years ago, perhaps a few hundred people inside or outside UPS were aware of our sustainability reporting program. Today, our hundreds of thousands of employees are widely aware of it, many of our customers use the information we provide, and our management is deeply engaged with the goals, KPIs, progress, and trends we report on each year.

What drives this interest is transparency: information that is comprehensive, credible, and comparable. We achieve these qualities in our sustainability reporting with a combination of hard work, rigorous assurance by respected third parties, and full application of respected global reporting frameworks such as the Greenhouse Gas Protocol and the Global Reporting Initiative (GRI).

Thousands of companies use these frameworks because they were created with global stakeholder consensus, and they are transparent, comprehensive, neutral, and objective. They are

also fair, in that they reward organizations that do the hard work to comply with them, regardless of industry. As more companies use them, society learns more about shared challenges and potential solutions.

Against this background, we now see a growing number of rating entities with a wide array of affiliations, methodologies, and objectives, setting themselves up to evaluate companies on sustainability from a variety of perspectives. Even though these ratings often lack the transparent, rigorous standards that make collaborative global frameworks such as the Greenhouse Gas Protocol and GRI so effective, they still demonstrate a welcome interest in sustainability. Ratings that are balanced and comprehensive can help to illustrate positive progress compared to years past, and provide information about sustainability that is valuable to companies, consumers, and investors.

Sustainability is a complex subject involving science, technology, economics, and public policy. It is also vital to the well-being of our economy and our planet. Throughout history, society has trusted such important issues to respected parties who are operating with a set of clear principles and high standards. In the essay on [page 42](#) of this Report, we explore a few basic principles for sustainability ratings, which are based on society's success with sustainability reporting.

Effectively increasing sustainability on this planet is hard. Ratings that have standards of transparency that inspire confidence and demonstrate accountability will help move the transportation and logistics sector forward by recognizing and rewarding the reasonable actions and credible reporting that drive global sustainability progress.

Sustainability Ratings Should Build on Sustainability Reporting Standards

Sustainability reporting by corporations exists because society wants transparency about the environmental and social impacts that come from running a business. Financial reporting standards don't require corporations to divulge these impacts, so responsible companies do it voluntarily. This transparency brings greater clarity about impacts, and that clarity drives responsible behavior. Companies make more informed long-term decisions, and society benefits from a more sustainable economy.

At UPS, we have learned first-hand how responsible sustainability reporting drives responsible behavior. We believe good reporting should be:

1. **Transparent** - giving our stakeholders information that is accurate, credible, and comparable.
2. **Comprehensive** - divulging all the data that is material to our sustainability, even when doing so may be challenging.
3. **Validated by third-parties** - the same world-class audit firm that does our financial reporting also provides assurance for our sustainability reporting.
4. **Collaborative** - we take advantage of neutral, consensus-based frameworks to ensure our sustainability reporting is systematic and comparable across industries and over time.

The best of these collaborative frameworks include the Global Reporting Initiative and the Greenhouse Gas Protocols. We use these and other frameworks – **and help to evolve them** – because they make

sustainability information from every company more valuable to society.

The growing number of companies reporting on their sustainability has now given rise to a growing number of organizations that seek to rate companies' sustainability performance. At UPS, we know how hard it is to do high-quality reporting, in part because we work closely with the top NGOs in the field. We think it's going to be even harder to get performance ratings right. Here again we're participating in working groups with respected NGOs to sort out the potential from the potholes. One of the emerging themes is that if sustainability ratings organizations want to make the difference they claim, their best course is to build on what society has already achieved with sustainability reporting.

Not surprisingly, **that starts with transparency**. Ratings organizations use varying assessment methods, and it would be best if everyone can see what they are and how they work. Just making sure the data they gather is good enough to support ratings comparisons is going to be a challenge. What they do with the data – and how they address gaps in available information – is an even bigger challenge. Third-party validation would add credibility immediately, but the assessment methods have to hold up to that scrutiny.

Good sustainability ratings should also **value what matters**. It's easy to gather some types of data, but those might not provide the best insights into a company's performance. For example, it's becoming popular among rating organizations to divide a company's greenhouse gas emissions by its revenues and come up with a single number that supposedly measures that company's climate impact. But revenue is a complex statistic that has many inputs and levers for manipulation. It tells us a lot more if we divide the greenhouse gases by a more practical,

measurable factor such as the amount of fuel required to power the factories that produce the products a company sells. After all, it's not a company's revenue that society wants to change. It's fuel efficiency and emissions efficiency.

Effective ratings methodologies also should **account for differences between industries**. The Global Reporting Initiative has had sector-specific reporting requirements for years, but most sustainability ratings organizations are not there yet. That's a gap that has to close. Take our industry, transportation and logistics. We tell you plainly in this Report that purchased transportation from third parties is one of our biggest operating expenses. That's true for most of our peers as well. Technically, the emissions from those third-party transportation providers go into our Scope 3 emissions inventories – but most ratings organizations just use the data we provide about Scope 1 and Scope 2 emissions. To compare transportation and logistics companies on carbon performance without including Scope 3 makes no sense. It makes even less sense to compare us to other industries without adjusting for such a major factor in respective emissions.

Finally, performance ratings organizations should **understand where the opportunity lies**. For example, the new GRI G4 reporting framework recognizes a vital fact about greenhouse gases arising from economic activity: the big opportunity for reduction is in global supply chains. When efficient supply chains can conduct more overall business with fewer overall emissions, that's real progress for the planet. If ratings organizations are going to help deliver more of that kind of progress, they must go beyond easy data for individual companies, and dig into the composite numbers for supply chains that mean so much more.

Comprehensive Measurement

UPS differs from most companies in the way we approach data about our environmental impacts. One fundamental difference is that we have established global, state-of-the-art IT systems that gather package-level detail on our shipping

activity. We analyze this wealth of operating data in conjunction with the carbon emissions data we gather for our vehicles and facilities. The results help us optimize our network, pinpoint our R&D and capital expenditures, and report with high accuracy regarding the carbon emissions data and environmental KPIs included in this Report. They also enable us to advise customers on how

to reduce the carbon impacts associated with their shipping.

Because we gather so much data and analyze it so thoroughly, we are far more able than many companies to drive efficiencies in our operations that benefit the environment. We can identify global opportunities for our **Continued** →

entire logistics network, or spot local anomalies in a facility or a part of our vehicle fleets. We can observe trends over time and anticipate developments, or search through past data to test ideas for the future.

Just as importantly, we can report to our stakeholders with a high level of transparency (see box [page 42](#)). To make sure stakeholders have the same confidence in our environmental reporting that we do, we engage outside auditors to assure and verify the data in our carbon inventory, and assure the information disclosed in this Report. Their statements can be found on [pages 98 and 87](#), respectively.

A number of disclosures in this Report illustrate our capabilities with comprehensive measurement. For example, the detailed greenhouse gas emission statements we provide on [pages 88-98](#) show that our global inventory of greenhouse gas emissions for 2013 (including Scopes 1, 2, and 3) decreased 1.5 percent compared to the year before. At the same time, our global package volume grew 3.9 percent compared to 2012. Growth in package volume puts strong upward pressure on our Scope 1 and 2 (direct) emissions, yet those emissions in aggregate grew only 0.5 percent. This represents continued success with one of our top sustainability goals, which is reducing carbon intensity (see [page 47](#)). Our Scope 3 (indirect) emissions decreased by 3.5 percent compared to 2012, due to lower tonnage in our international airfreight forwarding business, which enabled us to reduce purchased transportation (Scope 3, category 4).

Other disclosures in this Report indicate our ability to measure our operations in detail and report them by activity, business unit, and reportable segment. For example, the KPIs on [pages 15-16](#) show that we have reduced energy and emissions for four consecutive years in our U.S. Domestic Package segment, as normalized to both revenue and package volume.



Network Efficiency:

The core of our business success and environmental responsibility

Our business success and our environmental responsibility both depend on the same thing: the efficiency of our global logistics network. We have the expertise and infrastructure to handle all categories of service (express, ground, domestic, international, commercial, and residential) through one integrated and optimized network. This strategy increases our efficiency and reduces environmental impacts associated with our network, such as greenhouse gas emissions.

To execute this strategy, we master millions of little details. For each of the 16.9 million packages we deliver on an average business day, we capture data about times, locations, and customer requests. A typical day's route for a single driver in the U.S. includes about 120 delivery stops - which means there are more ways to drive the route than nanoseconds in the history of the Earth. Each business day we gather nearly 240 data points for tens of thousands of vehicles and drivers. UPS Airlines counts every minute a plane spends in motion, because motion means an aircraft is consuming energy and generating emissions. All this information goes into making our network more efficient.

UPS has one of the world's largest private-sector databases, and we spend around US\$1 billion each

year on operational efficiency and technological investments. Recent results include the mathematical algorithm behind ORION (see [page 51](#)), which can instantly analyze a driver's delivery stops for the day and identify an optimized route. In years to come, ORION will keep up with changes in traffic conditions and updated customer requests during the day, and help drivers adjust for maximum efficiency.

Other recent examples include our UPS My Choice™ service, UPS Access Point™, and our UPS Smart Pickup™ service (see [page 37](#)). These are perfect examples of how network efficiency is good for UPS and good for the environment at the same time: They increase convenience and satisfaction for our customers and help us avoid unnecessary energy consumption and greenhouse gas emissions. We're able to deliver these innovations because we have the data and technology they require. The same is true of other sustainability services and supply chain offerings available from UPS: behind that smiling UPS delivery driver at your door is a global network and vast array of technology operated by thousands of dedicated specialists.

In this chapter, we describe some of our primary network efficiency strategies and the results we achieved in 2013, starting with our global greenhouse gas reduction strategy (see [page 44](#)). You can find additional information on UPS technology on our sustainability website, at www.ups.com/sustainability.

4.3 Greenhouse Gas Reduction Strategy

We take a comprehensive, global approach to reducing energy use and greenhouse gas emissions, including all our operations as well as major portions of our value chain (including customers and suppliers). Our strategy includes three components:

- In our global logistics network, we reduce the miles we travel to accomplish any given level of shipping; we reduce the fuel required to travel those miles; and we reduce the proportion of conventional fuels we use by expanding our fleet of alternative fuel and advanced technology vehicles.
- In our global facilities network, we reduce energy use and increase our use of renewable energy.
- In our value chain, we provide customers with services that help them reduce their carbon impact and we help suppliers increase their awareness about greenhouse gas emissions and how to reduce them.

The main elements of the strategy are depicted in the illustration on [page 45](#).

Within our global logistics network, we employ many strategies that we developed and refined for decades, including the following:

Intermodal Shifting

The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported), ranging from aircraft at the high end to ships at the low end. UPS has focused for decades on using the most

fuel-efficient transport mode or combination of modes to meet service requirements – and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible.

Optimized Network

The UPS global logistics network handles all categories of service (express, ground, domestic, international, commercial, and residential) through one integrated pickup and delivery service system. This eliminates the redundancy we see in some of our competitors, which employ parallel service networks in their operating regions to handle different categories of services.

Air Fleet Efficiencies

Because air transport is more energy intensive than other modes, it contributes the largest portion of our carbon footprint. Measuring, managing, and mitigating the environmental impact of air transport is critical to overall carbon impact.

Ground Fleet Efficiencies

We have spent decades honing our ability to optimize both fuel efficiency for our vehicles and the behavior of our drivers. Owning our fleet enables us to multiply these gains by tens

of thousands of vehicles, every business day. Please see [page 50](#) for a full discussion of ground fleet efficiencies.

Full Integration of Technology and Human Factors

At UPS, we empower everyone to make greenhouse gas reduction a successful priority, so that our investments in technology can pay off. We train each other constantly in how to use our assets more efficiently, we share ideas from the ground up and the top down, and we apply innovations throughout our business once we know they work.

Continual Innovation

UPS has dedicated teams focused on engineering innovations that help reduce energy consumption and emissions. One of our latest breakthroughs, ORION, uses information technology to route drivers more efficiently and thereby avoid fuel consumption. Good ideas keep coming, because we never stop looking for them.

▲
LNG tractor,
Louisville,
Kentucky, U.S.



4.3 Greenhouse Gas Reduction Strategy

UPS's Greenhouse Gas Reduction Strategy is Global and Comprehensive

We measure every source of carbon emissions associated with UPS, and address them all with our Greenhouse Gas Reduction Strategy. This worldwide, enterprise-wide approach helps us reduce emissions from transportation, our facilities, and the customers and suppliers in our value chain.

Transportation: we reduce the miles we travel to meet customer requirements, and we reduce the fuel required for those miles.

Facilities: we reduce energy use and increase our use of renewable energy.

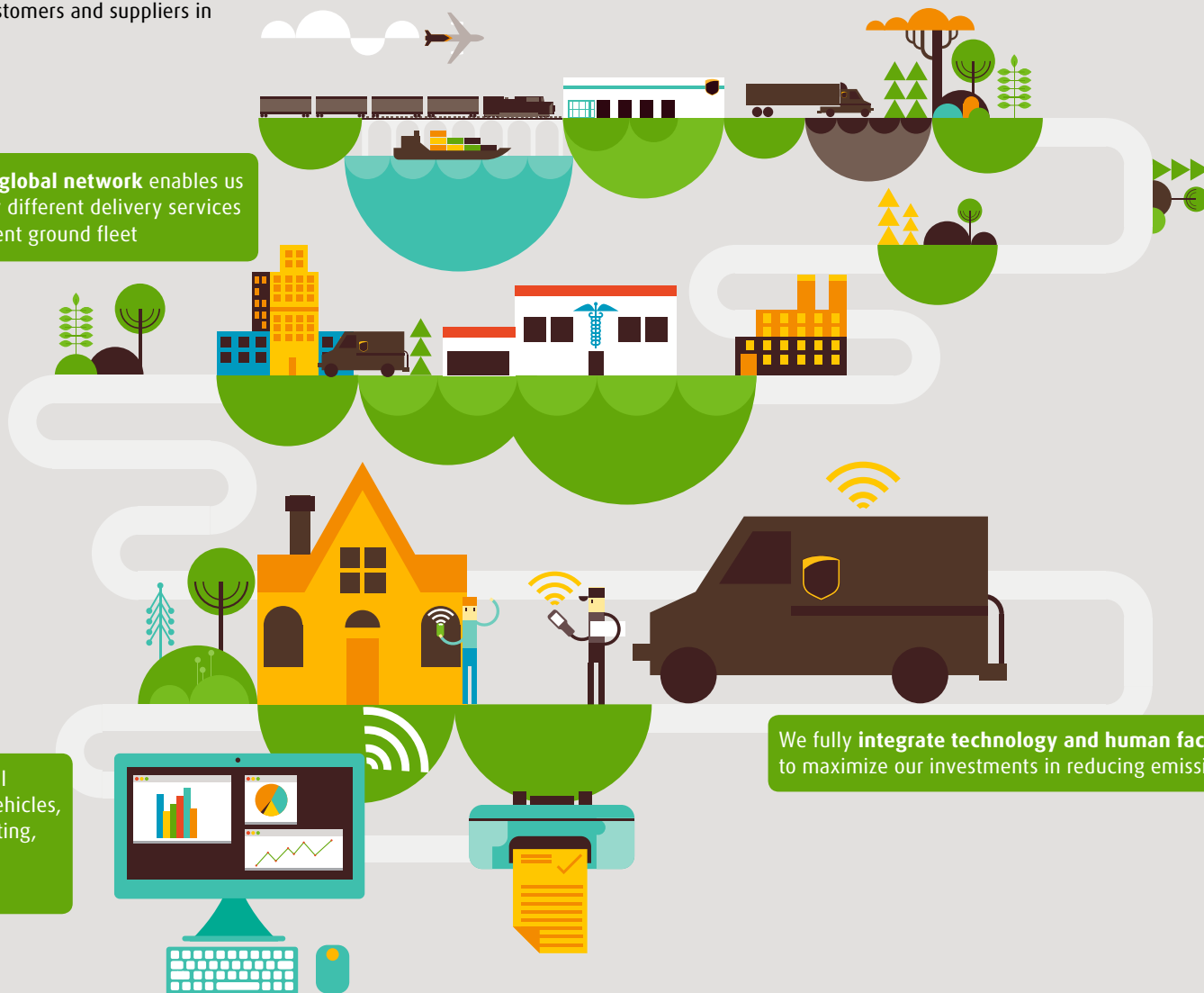
Value chain: we use detailed emission data to help customers and suppliers reduce their carbon impacts.

We use **intermodal shifting** to employ the lowest-carbon transportation modes that meet customer requirements

Our **integrated global network** enables us to provide many different delivery services using one efficient ground fleet

We pursue continual **innovation in IT**, vehicles, fuels, planning, routing, training, and other operating methods

We fully **integrate technology and human factors** to maximize our investments in reducing emissions



Fuel Supply

Part of our comprehensive approach to energy and emissions is responsible fuel sourcing. We need to ensure the integrity of our conventional fuel supplies in order to keep our promises to customers, and we are actively promoting the development of alternative fuels that will help us reduce our greenhouse gas emissions:

- We gather large volumes of data on all our air and ground vehicles – including those in our “rolling laboratory” to understand our fuel requirements in great detail.
- We purchase directly from vetted counterparties, including producers and brokers, which helps us ensure supply integrity for meeting customers commitments, controlling costs, and ensuring quality.
- We diversify our supplier base to minimize risks of outages.
- We encourage the development of sustainable, commercially viable alternative fuels by steadily expanding our fleet of alternative fuel and advanced technology vehicles.
- We fund, participate in, and helped champion a working group called Future of Fuels at BSR (a leading non-governmental sustainability organization) to study the impacts of all fuel sources and help guide business in the development of relevant policies and practices.
- We operate a fast-growing fleet of vehicles that use alternative fuel, which helps to create market incentives to expand supplies of those fuels. The fleet included 3,142 vehicles at the end of 2013, which represented approximately 3.0 percent of our ground fleet worldwide. We plan substantial additions to the fleet in coming years, including 796 LNG tractors already ordered and planned to be in operation in 2014.

Engagement with Other Organizations

As part of our overall management approach, we also contribute actively to society’s public discussion about environmental sustainability. This includes:

- Collaborating with leading NGOs, regulators, and industry consortiums to propel the cause of environmental sustainability forward
- Participating in public policy forums, where we advocate for prudent innovation and investment in new technologies and infrastructure development

We report extensively on stakeholder engagement earlier in this report (see “Materiality and Stakeholder Engagement”). In the final section of this chapter, we discuss our engagement with organizations that are focused on the environment or environmental aspects of sustainability.



UPS LNG fueling station, one of 13 in place or planned

UPS LNG tractor



4.4 Carbon Intensity Reduction in 2013

We typically measure the efficiency of our overall network, our ground fleet, and our air fleet using units of energy consumed or emissions generated relative to distance traveled or shipping volume. That's because it takes energy to move goods and materials over distance. If we can reduce the distance we cover in meeting our customers' requirements, that makes us more efficient and reduces energy consumption. We can also get more efficient by reducing the amount of fuel required to travel a given distance or to carry a given amount of cargo or packages. Combining these achievements helps reduce our overall carbon intensity.

Based on a multi-year trend of reducing our carbon intensity from transportation, we are doubling our goal to a 20 percent reduction from a 2007 baseline by 2020.

TRANSPORTATION INTENSITY INDEX

UPS Transportation Intensity Index (TII) sums Scope 1 and 2 emissions for U.S. Domestic Package segment (48% of TII), UPS Global Airlines (37% of TII), and U.S. Supply Chain & Freight (15% of TII).

	baseline year	2007	actual 2013	% Improvement from 2007 baseline
U.S. SMALL PACKAGE (lbs CO ₂ e/pkg)		2.78	2.44	-12.2%
GLOBAL AIRLINE (lbs CO ₂ e/ATM)		1.54	1.39	-10.0%
U.S. SUPPLY CHAIN & FREIGHT (lbs CO ₂ e/lbs freight)		0.26	0.19	-26.1%

Transportation Intensity Index Percent Reduction Compared to 2007

-13.4%

The term "CO₂e" stands for "carbon dioxide equivalents," which means it includes all gases named in the Greenhouse Gas Protocol. CO₂ is the most prominent of the gases, so the others are expressed in CO₂ equivalents of global warming potential.



Alternative fuel vehicles and alternative modes of transportation help reduce our overall emissions

UPS Doubles its Goal for Reducing Emissions Intensity from Transportation

Our Transportation Intensity Index is a KPI that covers 96 percent of all Scope 1 and 2 CO₂e emissions we generate worldwide. Our goal for 2016 was to reduce the Index by 10 percent from the baseline level in 2007. We exceeded that goal in 2012 and 2013. Our new goal is a 20 percent reduction by 2020.

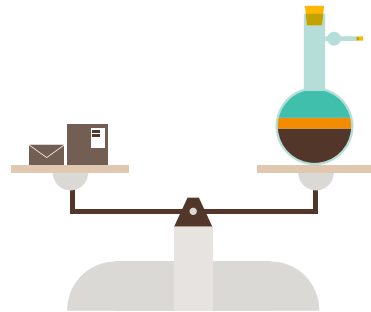
The Transportation Intensity Index tells us our carbon intensity (greenhouse gases emitted normalized to business volume) from transportation for the current year compared to the 2007 baseline. By successfully executing on our greenhouse gas reduction strategy (see [page 44](#)), we have reduced the Index by a greater percentage compared to 2007 in every year since we began presenting this KPI in our 2010 Report. This multi-year trend means our business is growing faster than the emissions from the transportation required to conduct that business. In other words, we have been continually reducing our carbon intensity from transportation over the past four years. You can see this clearly in the KPI table on [page 15](#).

In 2013, the Transportation Intensity Index was 13.4 percent lower than in 2007. The summary table at left shows the three different carbon intensity metrics we combine to generate the complete Index, so that our stakeholders can see how specific components of our business are reducing their carbon intensity. We also illustrate the Index on [page 48](#). The complete definitions and equations we use for the Index are explained on our sustainability website. In the sections of this chapter that follow, we describe how we reduced carbon intensity in our air fleet operations and ground fleet operations in 2013.

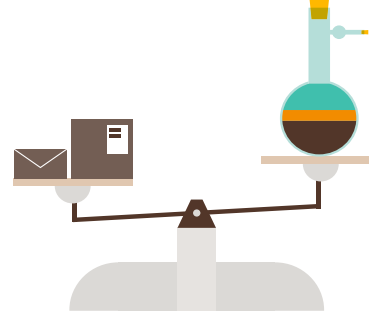
4.4

Transportation Intensity Index

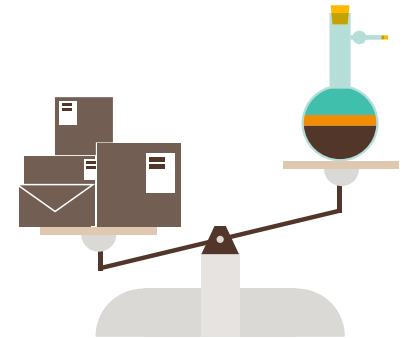
Reducing Carbon Intensity Means Doing More for Customers While Keeping Carbon Emissions Under Control



2007
Baseline Transportation Intensity Index



13.4%
2013 reduction from baseline, exceeding original goal of 10% reduction by 2016



20%
New goal for reduction from baseline by 2020



At UPS we have built an optimized global logistics network that enables our shipping volume to grow faster than our greenhouse gas emissions. We've also developed a single metric for evaluating our performance: the Transportation Intensity Index. This metric tells us the carbon intensity (greenhouse gases emitted normalized to business volume) for 96 percent of our total global transportation for the current year compared to the baseline year of 2007. The Transportation Intensity Index combines data from three separate carbon intensity metrics: one for our U.S. delivery vehicles, one for our U.S. freight operations, and one for our global airline. We have achieved double-digit reductions in carbon intensity for all three compared to 2007.

Greenhouse Gases in Carbon Dioxide Equivalents (CO₂e), indexed to 100.



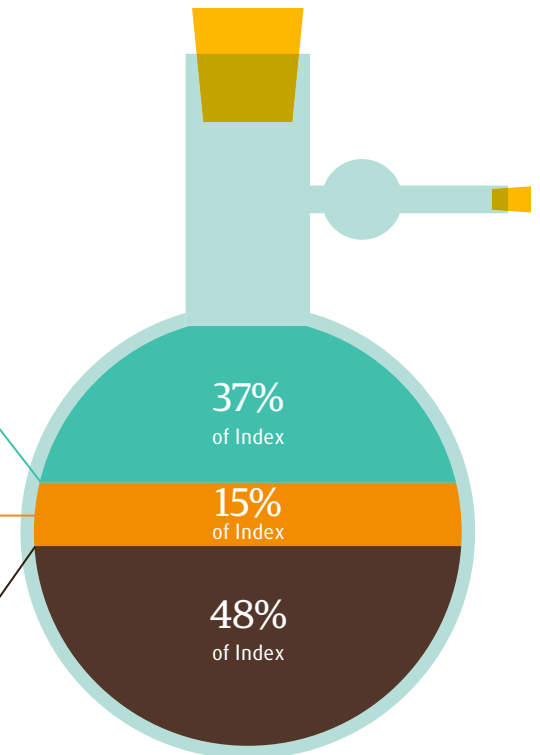
From aircraft in UPS Airlines (global operations)
lbs of CO₂e/Available Ton Mile



From tractor-trailer in U.S. Supply Chain & Freight Segment
lbs of CO₂e/lbs of Freight Hauled



From delivery vehicles in U.S. Domestic Package Segment
lbs of CO₂e/Package



Reducing Carbon Intensity in Air Transport

Our primary strategy for reducing the carbon intensity of UPS Airlines is to reduce fuel consumption, because there is a direct relationship between fuel burned and greenhouse gases emitted. In this section, we first describe the energy efficiency techniques we use to reduce carbon intensity in our air fleet operations, and then we discuss our quantitative performance in 2013.

Air Fleet Efficiencies

We work aggressively to reduce the fuel we consume for the miles we fly to meet customer requirements. Our techniques and technologies include the following:

- Purchasing young, fuel-efficient aircraft and phasing out older aircraft
- Retrofitting existing aircraft to make them more energy-efficient
- Lowering flight speeds
- Optimizing our flight paths
- Planning flight arrivals more precisely so we can carry less discretionary fuel
- Using IT to increase precision of aircraft departures, arrivals, and taxi times
- Using a reduced number of aircraft engines to taxi
- Washing aircraft engines to increase fuel efficiency

Some of the more important initiatives and results for 2013 included the following:

Block Hours

One of our main metrics for air fleet efficiency is known as “block hours” because everything that happens during block hours consumes energy. The name comes from the blocks that are removed when an aircraft is ready to depart. We count block hours and compare them to airline shipping volume and aircraft fuel consumption. When we are successful in increasing air fleet efficiency, block hours and fuel consumption grow more slowly than our air freight volume.

In 2013, UPS Airlines reduced block hours 0.3 percent compared to 2012, even though shipping volume for the airline rose 1.6 percent year-over-year. This means we used 0.7 percent less fuel in 2013 to handle higher volume.

Winglets

In 2013, we modified 48 of our 59 Boeing 767 aircraft with customized “winglets.” These angled add-ons for wingtips boost aerodynamic efficiency for long-haul aircraft flying at high altitudes. The investment saved 2.5 million gallons of jet fuel in 2013, and avoided 24,000 metric tonnes of greenhouse gases. We plan to retrofit our remaining 11 Boeing 767 aircraft in 2014.

Engine Washing

Jet engines accumulate particulate matter at high altitudes, which reduces their operating efficiency. We wash our jet engines in eco-friendly ways to conserve water and gain significant fuel savings. In 2013, we saved 2 million gallons of fuel with engine washing, avoiding 20,000 metric tonnes of emissions. Since 2008, this simple step has saved 9.5 million gallons of fuel, equivalent to 91,000 metric tonnes of CO₂.

Reducing Discretionary Fuel

By planning our flight arrival times precisely to avoid delays, we can reduce the amount of discretionary fuel our aircraft carry. This in turn

reduces aircraft loaded weight and improves fuel efficiency. Using this technique, we will be able to avoid using 1.5 million gallons of fuel, equivalent to avoiding 14,000 metric tonnes of greenhouse gases.

Boeing 767 with customized winglets



Goals and Performance in our Air Fleet

Our primary metrics for the carbon intensity of UPS Airlines are the following:

- Aviation gallons burned per 100 available ton miles
- CO₂ pounds emitted per available ton mile (CO₂lbs/ATM), for both statute miles and nautical miles

An “available ton mile” (ATM) is a common unit of measure in our industry, because it combines two important factors: cargo capacity and distance transported. By dividing the fuel we burn or the emissions we generate by the cargo we carry and distance traveled, we can determine our carbon intensity associated with serving our customers. Both these metrics are KPIs for UPS, and we have long-term goals for both as well. We provide multi-year data for both KPIs on [page 16](#).

CO₂ POUNDS PER AVAILABLE TON MILE

UPS Airlines – Global Operations

	baseline year 2005	2011	2012	2013	2020 GOAL
lbs CO ₂ / ATM (nautical miles)	1.54	1.41	1.40	1.38	1.24 (20% reduction from baseline)
lbs CO ₂ / ATM (statute miles)	1.34	1.22	1.21	1.19	1.08 (20% reduction from baseline)

We reduced aviation gallons burned per 100 available ton miles to 6.52 in 2013, the lowest level in the last five years. For comparison, this KPI was 6.62 in 2012. Our long-term goal for the KPI is 6.27 aviation gallons per 100 ATM by the year 2020.

We achieved similar results for CO₂ pounds emitted per ATM, which fell to 1.38 from 1.40 in 2012, and also reached the lowest level in the past five years. Our long-term goal for this KPI is 1.24 by the year 2020, which represents a 20 percent reduction compared to 2005 and a 42 percent reduction compared to 1990, a year that is widely used as the baseline for calculating changes in greenhouse gas reduction.

One additional metric helps us monitor our performance regarding emissions from our air fleet. This metric is our KPI for Aircraft Emissions per Payload Capacity. It measures total combined emissions of hydrocarbons, carbon monoxide, and nitrogen oxides (in kilograms) divided by the sum of UPS Airlines' maximum structural payload capacity (in thousands of kilograms) weighted by the year's aircraft operating cycles. In 2011, we set a goal to reduce this KPI to 0.73 or less by 2016. We exceeded the goal with a level of 0.72 in 2013. Multi-year data for this KPI appears on [page 16](#).

ICAO Announcement on Market-Based Measures

In 2013, the International Civil Aviation Organization (ICAO), an agency of the United Nations, announced that in 2016, it will propose market-based measures for airlines in member countries as a

way to address greenhouse gas (GHG) emissions from international aviation. These measures may include emissions trading, emission-related charges and taxes, and emissions offsetting. ICAO member countries agreed that such market-based measures should help airlines contribute to the achievement of specific environmental goals at a lower cost, and in a more flexible manner, than traditional regulatory measures. ICAO indicated that the market-based measures to be proposed in 2016 would likely be phased in by 2020.

At UPS, we support efforts to address climate change, particularly including the use of market-based measures. We are also aware that such measures have the potential to influence the entire air transportation industry in the years ahead, including our air fleet efficiency goals and strategies.

Reducing Carbon Intensity in Ground Transport

Our primary strategy for reducing the carbon intensity of our ground fleet is to reduce fuel consumption relative to shipping activity, because there is a direct relationship between fuel burned and greenhouse gases emitted. In this section, we first describe the techniques we use to reduce carbon intensity in our ground transportation, and then we discuss our quantitative performance in 2013.

In our ground fleet operations, we have three primary strategies for controlling fuel consumption and greenhouse gas emissions:

- Reducing the miles we travel to accomplish any given level of shipping
- Reducing the amount of fuel required for those miles
- Using alternative fuel and advanced technology vehicles

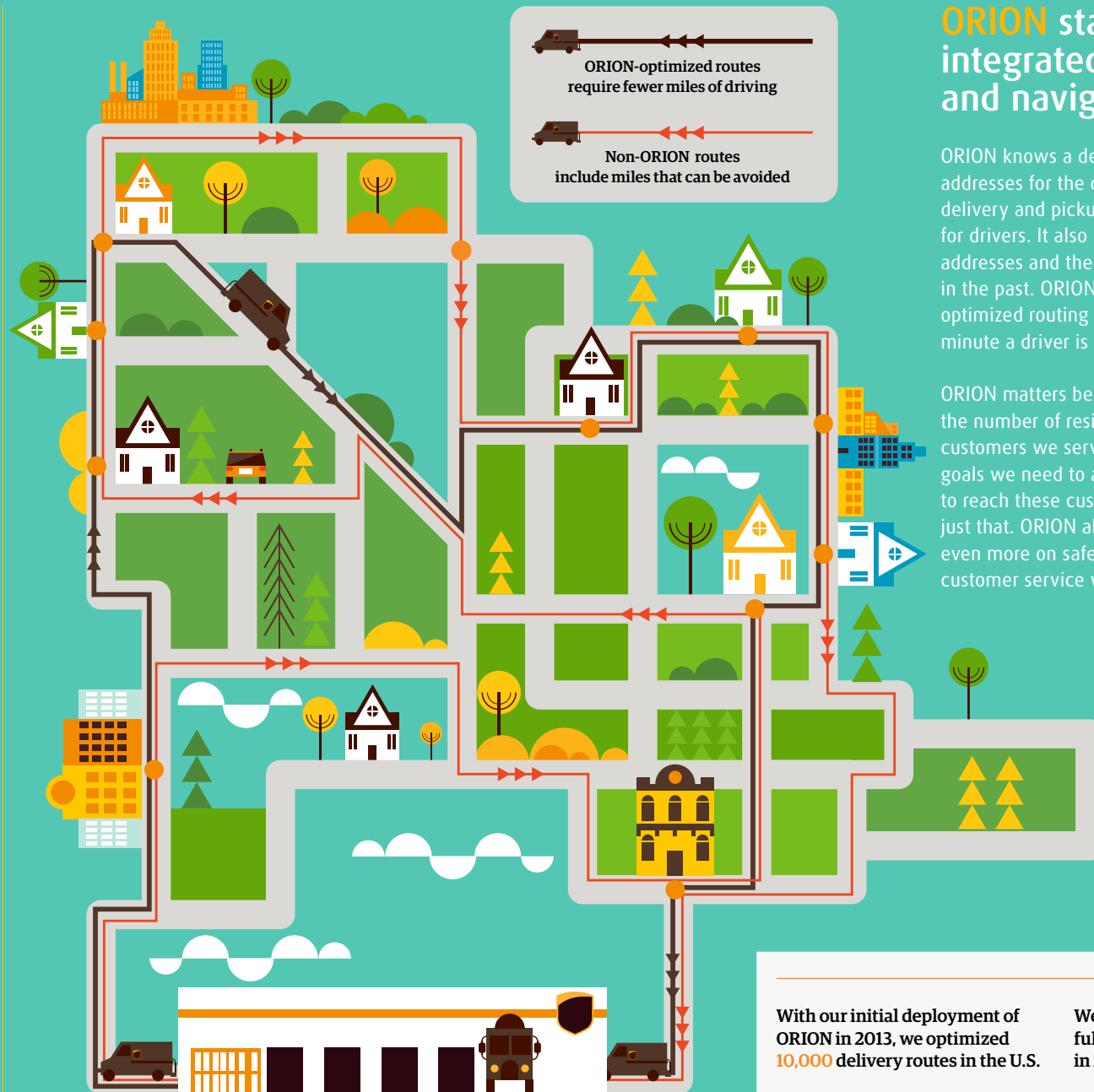
We execute the first two strategies by integrating technology into our operational practices, such as with telematics and ORION (see [page 51](#)). In 2013, IT-based techniques delivered positive results in our U.S. Domestic Package segment and in the freight business of our Supply Chain & Freight segment.

Reducing the Miles We Drive

We minimize the miles we drive by combining telematics, package routing technology, ORION, driving techniques, service offerings, and other strategies. This approach enables us to consistently minimize miles driven in the following ways:

- We allocate pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible.
- We route vehicles so that they reach all required destinations in the least amount of time and miles driven.
- We use loading and unloading locations that enable multiple deliveries.
- We dynamically re-route drivers based on events such as changing customer pickup needs or a requested change in delivery location, to avoid wasted miles.
- We eliminate unnecessary customer visits by encouraging customers to sign up for innovative services such as UPS My Choice™, UPS Access Point™, and UPS Smart Pickup™ (see [page 37](#)).

4.4 ORION



ORION stands for on-road integrated optimization and navigation.

ORION knows a delivery route's customer addresses for the day, locations with required delivery and pickup times, and business rules for drivers. It also knows 250 million delivery addresses and the routes our drivers have used in the past. ORION analyzes it all and prepares optimized routing instructions right up to the minute a driver is dispatched.

ORION matters because e-commerce is increasing the number of residential and small-business customers we serve. To meet our sustainability goals we need to avoid driving additional miles to reach these customers, and ORION helps us do just that. ORION also helps our drivers concentrate even more on safety, and on providing great customer service when they pull up to your door.

With our initial deployment of ORION in 2013, we optimized **10,000** delivery routes in the U.S.

We expect to avoid **14,000** metric tonnes of GHGs and save 1.5 million gallons of fuel on those routes in 2014

We plan to complete the full deployment of ORION in 2017

We estimate savings of **US\$50 million** a year if every UPS delivery driver avoids 1 mile driven per day

Reducing Fuel Per Mile

Growing customer demand for our services puts upward pressure on the number of miles we drive each year. So we are relentless in minimizing the amount of fuel we use per mile, because that can reduce the carbon intensity of our ground fleet even as our miles traveled and packages delivered go up.

As with avoiding miles driven, we combine numerous techniques and technologies to reduce fuel use per mile, and we put them all into practice rigorously, on a daily basis. Highlights include the following:

- Selecting route options that minimize idling time spent waiting for lights and turns, thus reducing fuel use and emissions even if miles driven remain the same
- Selecting vehicles for routes on which they will deliver the best fuel efficiency
- Conducting proactive, just-in time maintenance on our vehicles to keep their miles-per-gallon performance as high as possible
- Avoiding the use of conventional gasoline and diesel fuel by expanding our fleet of alternative fuels and advanced technology vehicles

Reducing idling time may seem like an insignificant factor. But the number of large cities in the world is growing, and the largest cities are becoming even more congested. There are more obstacles, blockages, and other factors that can cause drivers to sit still with their engines running – burning fuel without getting anywhere. We fight back with telematics. In 2013, we were able to avoid 254 million minutes of idling time, equivalent to 1.8 million gallons of fuel and 17,000 metric tonnes of CO₂.

Alternative Fuel and Advanced Technology Vehicles

Our global fleet is one of the most diverse in the private delivery industry. It currently includes vehicles using the following fuels and technologies:

- Propane (in fleet since 1980)
- Compressed Natural Gas (in fleet since 1989)
- Hybrid Electric (in fleet since 1998)
- Liquefied Natural Gas (in fleet since 2000)
- Electric (first deployed in 1934; in fleet since 2001)
- Ethanol (in fleet since 2011)
- Composite Body (in fleet since 2011)
- Hydraulic Hybrid (in fleet since 2012)
- Biomethane (in fleet since 2012)

The fleet includes vehicles in Brazil, Canada, Chile, Germany, Hong Kong, The Netherlands, Thailand, the United States, and the United Kingdom.

We call these vehicles our “rolling laboratory” because they are simultaneously accomplishing three things. The first is serving our customers – they’re rolling each day just like the nearly 100,000 other vehicles in our ground fleet, but with lower emissions. The second is enabling us to learn how well alternative fuel and advanced technology vehicles meet our demanding requirements in commercial use. This helps us plan vehicle investments. The third is helping us develop strategies and plans for the future. For example, many large cities around the world have already begun to limit access in their central commercial and residential zones. They may allow only zero-emission vehicles, or vehicles of compact size. We need to make sure our fleet

is ready for whatever the world requires. When a particular type of vehicle proves that it can deliver sustainable benefits, we purchase it in larger numbers. That’s what’s happening now with natural gas. These investments help establish the new technology as commercially viable, which helps lower prices for everyone. What we learn in the rolling laboratory also helps manufacturers and energy suppliers improve their products and technologies in ways that make transportation more sustainable. All of this benefits society in the long run, by reducing dependence on fossil fuels and holding back growth in carbon emissions.

Liquefied Natural Gas Vehicles

Liquefied natural gas (LNG) is one of the most promising alternatives to conventional diesel fuel for trucks, especially in the United States. LNG-configured heavy-duty tractors combine strong pulling power and long range, so they compete operationally with comparable diesel-powered tractors while offering a lower emission profile. The cost of operation can be lower as well, because LNG is growing in availability from sources within the United States. *Continued* →

UPS LNG tractor, California, U.S.



The challenge is creating a critical mass that brings equipment and infrastructure prices down. LNG tractors can travel only within range of LNG fueling stations, and it's not cost-effective to build those stations without plenty of vehicles to use them. That's why UPS is making substantial financial and operational investments in LNG vehicles and infrastructure in the United States. Bigger LNG fleets enable manufacturers to achieve economies of scale. They also make it economically viable for companies to build fueling and maintenance stations. As LNG-fueled commercial transportation becomes more widely affordable, it will help the country lower its greenhouse gas emissions.

UPS already plays an important role in the nation's longest LNG corridor, known as the Interstate Clean Transportation Corridor (ICTC).

This corridor stretches from the West Coast to the Rocky Mountains and into the Southwest. We built a station along the ICTC in 2010 and have deployed 114 LNG tractors in the region.

In the Southeastern United States, UPS is rapidly building up a substantial presence in LNG-fueled commercial transportation. We are employing a hub-and-spoke strategy in this region, which means that our long-haul tractors return each evening to a base near one of our LNG fueling stations.

In 2013, we completed two new fueling stations in the state of Tennessee. We plan to complete another 11 new stations throughout the United States in 2014. Also in 2013, we purchased 156 new LNG vehicles, bringing the total to 249 vehicles at the end of the year. We plan to have over 1,000 LNG vehicles in operation by the end of 2014. We also plan for all new tractors purchased for our U.S. Domestic Small Package operations in 2014 to be LNG or CNG.

Goals and Performance in our Ground Fleet

The two KPIs we use to measure performance in our ground fleet are:

- Ground packages per gallon of fuel in our U.S. Domestic Package segment
- Miles driven in alternative fuel and advanced technology vehicles

Multi-year data for each KPI appears on [page 16](#).

The first KPI shows us how many packages we are delivering for each gallon of fuel we consume in our highest-volume operating segment, U.S. Domestic Package. For this metric, fuel consumption is not limited to our familiar brown delivery vehicles. In fact, more than two-thirds of the fuel is consumed in the "feeder" network that connects our distribution hubs to each other and to high-volume shipping customers. We operate most of the vehicles in the feeder network, with some volume carried by third-party transportation providers such as trucking companies and railroads.

In 2013, we expanded the scope of this KPI to include third-party transportation activity, which was previously excluded because it was assigned to our Supply Chain & Freight segment. This activity contributes to the amount of packages we deliver in the United States, and it is increasing due to the growth trend in e-commerce, so we have added it to the KPI. We present results for prior years on a comparable basis, using the new definition.

As before, we can improve our performance against the KPI in two ways: by increasing the packages we deliver and by reducing the amount of fuel we use. Our approach is to do both to the maximum extent possible, while satisfying the delivery requirements of our customers.

On the delivery side of the metric, we strive to increase the number of stops we fit into each mile of driving, because stops result in packages picked up and delivered. In 2013, in our U.S. Domestic Package segment, our total stops increased 2.5 percent due to higher shipping volume by our customers. Yet the miles we drove increased only

1.5 percent. As a result, we improved stops per mile to 1.460 in 2013 from 1.456 in 2012. On the fuel side of the metric, we apply the strategies we explained earlier in this chapter ("Reducing Carbon Intensity in Ground Transport"), such as reducing the miles we drive and reducing the fuel consumed per mile. In 2013, in our U.S. Domestic Package segment, we avoided driving more than 9.7 million miles compared to 2012. This in turn avoided the use of 1 million gallons of fuel and 10,000 metric tonnes of CO₂.

Our success in reducing fuel consumption and increasing efficiency resulted in a value for the KPI of 8.72 packages per gallon in 2013, up from 8.64 in 2012. We have now improved this KPI for five consecutive years.

PACKAGES PER GALLON OF FUEL U.S. Domestic Package

2010	2011	2012	2013
8.37	8.41	8.64	8.72

The second KPI for our ground fleet is alternative fuel and advanced technology miles driven. Increasing the miles we drive with these vehicles gives us incremental increases in emissions efficiency. Just as importantly, it increases the amount of information flowing in from our "rolling laboratory" of non-conventional vehicles. For example, we are rapidly expanding our use of liquefied natural gas and propane as vehicle fuels because of the positive results they showed as part of our rolling laboratory.

We had 3,142 alternative fuel and advanced technology vehicles in operation as of the end of 2013. We logged 55 million miles in these vehicles during the year, this enabled us to avoid the use of 5.8 million gallons of conventional gasoline and diesel. Since 2000, our alternative fuel and advanced technology fleet logged more than 350 million miles, resulting in the avoidance of 34.5 million gallons of [Continued on page 55](#) →

4.4

Natural Gas in the Rolling Laboratory

The UPS "Rolling Laboratory" strategy is to field-test new fuels and technologies in the UPS network, and then scale up the combinations of fuel source, facility location, vehicle type, delivery role, and infrastructure investment

that deliver the best ROI. We are now scaling up such optimum ROI combinations for liquefied natural gas (LNG), compressed natural gas (CNG), and liquefied petroleum gas (propane).

LNG

Large, regional base

UPS installs LNG storage tanks and fueling stations

Long-haul tractors travel 500-600 miles roundtrip

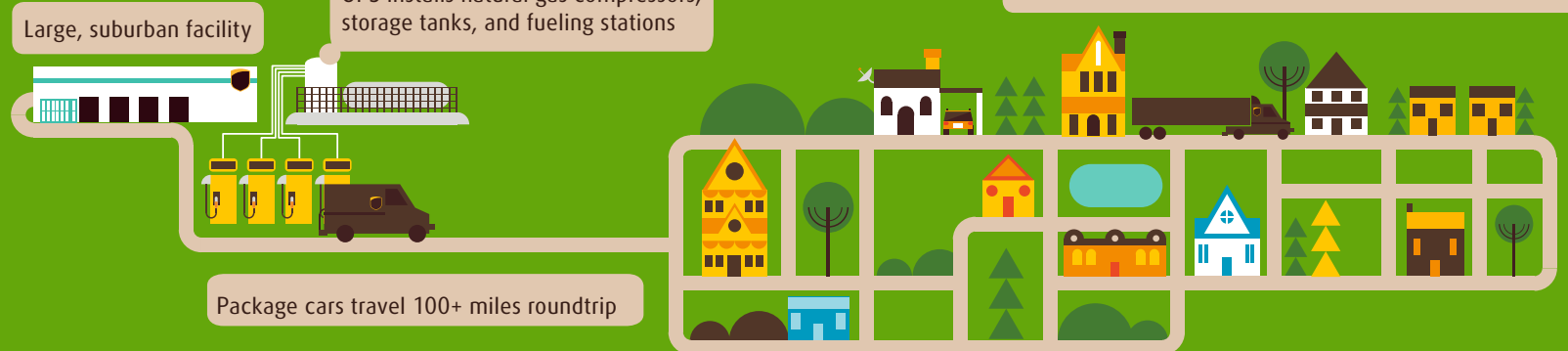


CNG

Large, suburban facility

UPS installs natural gas compressors, storage tanks, and fueling stations

Long-haul tractors travel 400-500 miles roundtrip

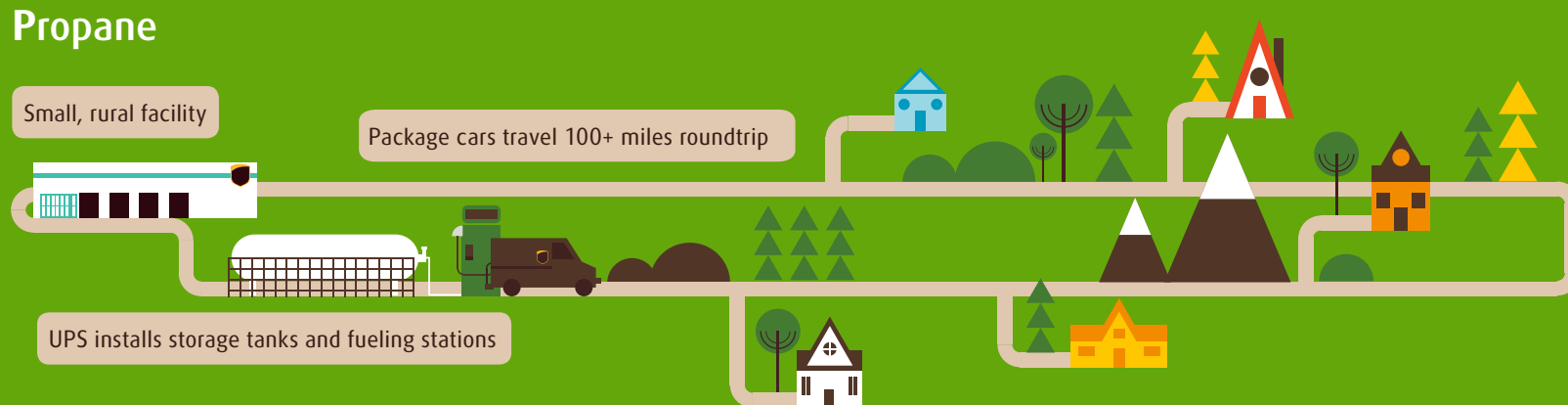


Propane

Small, rural facility

Package cars travel 100+ miles roundtrip

UPS installs storage tanks and fueling stations



PARTICULATE EMISSION REDUCTION

U.S. Domestic Package & U.S. Freight Operations

	baseline year 2012	2013	2020 Goal
PM2.5 EMISSIONS PER GROUND VEHICLE (kg PM2.5/vehicle)	18	16 (11% reduction)	75% reduction from 2012 baseline
NO _x EMISSIONS PER GROUND VEHICLE (kg NO _x /vehicle)	503	423 (16% reduction)	60% reduction from 2012 baseline

conventional gasoline and diesel. Our goal for this KPI is to reach 1 billion miles in 2017, and we believe we are on track to reach it.

Two additional metrics help us monitor our emissions performance regarding particulate and nitrogen oxide emissions from our ground fleet. Our goals are to:

- Reduce PM2.5 emissions by 75 percent (kg/vehicle) between 2012 and 2020
- Reduce nitrogen oxide (NO_x) emissions 60 percent by 2020

The table above shows our actual performance related to PM2.5 and NO_x emissions for 2013. We expect to achieve our goals for reducing these particulate emissions by acquiring more modern, lower-emission conventional vehicles, using more alternative fuel vehicles with lower emission profiles than conventional vehicles, and maintaining our vehicles rigorously.

Energy Efficiency in Facilities

We continued to improve energy efficiency within our office and operating facilities in 2013, with upgrades to heating and cooling systems and improved energy management systems. These projects in the United States are projected to save 185,000 kilowatt hours and 11,300 therms of natural gas annually.

Lighting

In 2013, we continued implementing the latest phase of our long-term strategy for upgrading our lighting to save energy. The first projects in this phase, all of which are in the United States, are expected to generate energy savings of 862,000 kilowatt hours per year.

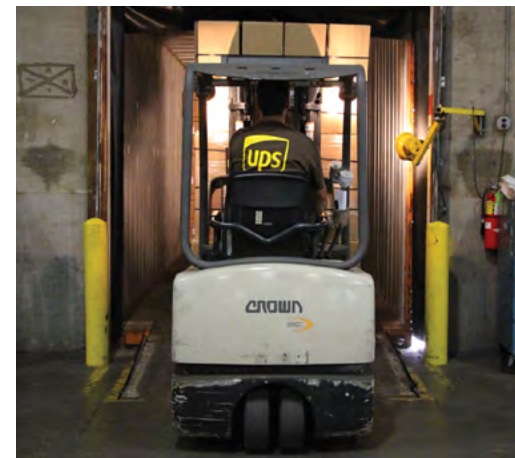
Renewable Energy

UPS currently has four facilities in the United States with photovoltaic solar systems. They are located in Palm Springs, California; Lawnside, New Jersey; Parsippany, New Jersey; and Secaucus, New Jersey. In aggregate, our wholly-owned renewable energy capacity totals 2.6 megawatts, capable of producing more than 3.5 million kilowatt hours a year.

UPS distribution facility, Carteret, New Jersey, U.S.

Energy efficient lighting in UPS facility, Atlanta, Georgia, U.S.

Solar panels at UPS facility, Palm Springs, California, U.S.



4.4 Stakeholder Statement



David Steiner

*President and CEO,
Waste Management, Inc.*



In 2007, Waste Management announced four sustainability goals that we set our sights on achieving by 2020. We said we would increase our recycling, produce more green energy from waste, reduce emissions from our vehicle fleet, and create more wildlife habitats. We're well on our way to achieving the recycling and energy goals, and we have already exceeded the emission and habitat goals. So we're setting even more ambitious goals.

For example, the original target for our fleet was a 15 percent reduction in carbon dioxide emissions from the baseline by 2020. We've already cut those emissions nearly 20 percent, well ahead of schedule. Our primary strategy for getting there is to convert about 90 percent of our fleet to lower-emission alternative fuels, primarily natural gas, which we are tackling through our annual truck purchasing practices.

That's a real transformation when you have a fleet of approximately 18,000 trucks. Most businesses today think long and hard before they invest in alternative fuel vehicles. At Waste Management, it's the opposite: it's the conventional vehicles that we have to justify, not the ones running natural gas. In fact, in 2013, 93 percent of Waste Management's new truck purchases had natural gas engines.

"We applaud UPS and other large fleet operators when they make a commitment to natural gas, because we know it helps change the game for everyone."

For many people in this country, natural gas is still unfamiliar as a commercial transportation fuel. This perception is changing fast though. More and more companies in the United States are taking advantage of this clean, abundant, and economically viable fuel. UPS is a great example of a company helping move the conversation forward. They're investing for the future – not only are they putting more natural gas vehicles on the road but they're also building the fueling infrastructure to keep them rolling.

We've learned a lot of lessons when it comes to natural gas. The most important is that there is no one-size-fits-all solution. Laws and fuel availability vary from state to state, and even within states. So it's vital to be flexible and responsive. For example, we have made almost 30 percent of our natural gas fueling stations available to the public. A number of logistical, economic, and geographic factors have to line up, but when they do align, we go out of our way to bring a proven alternative fuel to the local economy.

We have also learned that scale matters. Putting more than 3,100 natural gas vehicles on the road has really flattened our learning curve. It has given us the data to invest more precisely and expand

more strategically, to the point where we can help guide the conversation about natural gas for the whole country.

This is a conversation we really need to have, because natural gas is abundant and cleaner than conventional fuels. Of course there are trade-offs, as there are with all fossil fuels. But society can't accomplish big changes in sustainability with half-measures. At Waste Management, we applaud UPS and other large fleet operators when they make a commitment to natural gas, because we know it helps change the game for everyone.

Last but not least, we've learned to tell our story to customers and communities. When they know what's possible – that, for example fundamental services such as waste management can be conducted in cleaner, quieter ways than before – it helps motivate and inspire people to support other changes that can make our economy and society more sustainable.

4.5 Environmental Engagement in 2013

In “Materiality and Stakeholder Engagement,” we provided a list of external initiatives we participate in that are related to the environment (see page 18). Here, we provide examples of notable developments from our major environmental engagements in 2013.

BSR: Future of Fuels

BSR works with a global network of nearly 300 member companies to advance the cause of sustainability worldwide. BSR conducts research, provides consulting services, and organizes cross-sector collaborations with companies on vital issues. UPS is a member company.

In 2012, we helped BSR launch an initiative called “Future of Fuels,” which aims to help global companies understand the sustainability impacts of their transportation fuel systems, and what they can do about them. The initiative draws on leading experts from the private, nonprofit, public, and academic sectors.

We championed the creation of Future of Fuels because we are dependent on fuels for our vehicles and we’re not satisfied with the options we have. We want to help get low-emission or no-emission fuels to the marketplace, and that has to start with education. More companies and policy makers need to understand the sustainability impacts of today’s fuels, and what barriers we need to overcome to commercialize the fuels of tomorrow.

Following the release of a 2012 report entitled “The Sustainability Impacts of Fuel,” BSR conducted stakeholder forums and roundtables in 2013 to discuss developments, gaps, and opportunities for improving the sustainability of transportation fuels.

Regional “Green Freight” Organizations

One of the positive signs for sustainability in the transportation industry is the formation and growth of transportation associations that are developing methodologies to address the climate impact of shipping in their respective regions. The regional approach makes sense, because conditions can vary widely between different parts of the world regarding geography, regulation, and infrastructure.

UPS has been a member of Green Freight Europe since it was formed in 2012. The vision of Green Freight Europe is “to be recognized as the leading independent voluntary program for improving environmental performance of road freight transport in Europe.” The organization’s main activities include the following:

- Establishing a platform for monitoring and reporting carbon emissions
- Helping member companies share best practices, promote innovations, and communicate about improvements related to European freight transportation
- Promoting collaboration between carriers and shippers in driving improvements
- Establishing a certification system to reward shippers and carriers who fully participate in the program
- Fostering cooperation with other initiatives, programs, and working groups around the world that are seeking to make freight transportation more sustainable

In 2013, UPS was one of five companies that came together to form Green Freight Asia. The other founding members were DHL, HP, Lenovo, and IKEA. The organization’s purpose is to control or reduce carbon emissions of freight transportation in Asia, where economic and environmental concerns are substantial. For example, pollution

is a significant challenge in many large cities, and logistics and transportation costs represent a higher proportion of gross domestic product in Asia compared to Europe and the United States.

Global Forestry Initiative

In 2011, we announced a new Global Forestry Initiative to help plant, protect, and preserve trees in the United States and around the globe. In 2012, The UPS Foundation began a yearlong effort to plant one million trees worldwide. By September of 2013, the initiative planted more than 1.3 million trees – with the help of 19,000 UPS employees and their families.

Continued →

▼
A farmer stops water in an irrigation canal, Yunnan River, China. In 2013, UPS supported reforestation in the Yunnan Province that helped provide jobs for low income families. Photo credit: @ Ami Vitale/TNC



The Foundation also announced grants to plant another million trees in 2013. The recipients of new grants included the following:

- Earth Day Network, to support planting of trees in Norway, Russia, Ethiopia, Kenya and Cameroon
- Keep America Beautiful, Inc., to support tree planting
- National Arbor Day Foundation, to support its Employee Forest Program (which organizes employees of sponsoring companies to plant trees in their communities), and to support reforestation in priority areas throughout the United States
- The Nature Conservancy, to support reforestation efforts in Brazil, China, Guatemala, Haiti, and the United States

▼
Lake Atitlan and the Atitlan volcanic chain, Guatemala. Photo credit: @ Nicole Balloffet/TNC



▲
UPS volunteers planting trees as part of the Global Forestry Initiative, Philadelphia, Pennsylvania, U.S.

EN 3.4

Environmental Grievances

For purposes of this GRI G4 report, we define environmental grievances as grievances related to our environmental material aspect: Energy, Emissions, and Fuel Supply. Note that this material aspect is focused primarily on energy

and emissions related to the vehicle and air fleets we purchase and maintain in order to provide our services. We are not involved in manufacturing processes that require or involve raw materials, off-shoring, low-cost labor, or management of significant waste streams. We are therefore not ordinarily at risk for environmental impact grievances from outside stakeholders.

Regarding the environmental impact related to our greenhouse gas emissions, we present information in this report regarding our strategies, technologies, methodologies and results associated with avoiding and reducing GHGs. We also comply with all applicable environmental laws and regulations, we audit our compliance, and we open our facilities to inspections by relevant authorities.

We are not aware of any environmental impact grievances presented to UPS in 2013, or any such grievances presented in 2012 for resolution within 2013.

If societal stakeholders should have an environmental grievance to raise with UPS, we welcome their concerns and offer a number of avenues for presenting them:

- Contact our Board of Directors via the Corporate Secretary (see [page 78](#) for contact information)
- Contact our Public Relations group at <http://www.pressroom.ups.com/Contact+Us>
- Send comments or questions regarding this Report to pr@ups.com
- Visit our customer service portal and use the contact information provided there: <http://www.ups.com/content/us/en/contact/>

5.0 Empowered People

We know from more than a century of experience that empowered people go further to serve customers, work more safely, develop themselves more readily, and show more winning teamwork.

Empowered people also embrace sustainability more fully, which helps us execute on the sustainability strategies described throughout this Report.

At UPS, we give our people a great organization to join, opportunities to learn and develop their careers, and abundant ways to make a difference both inside and outside the company.

The people of UPS prove every day that this strategy works, by going the extra mile for customers, filling our management ranks through promotion, volunteering in their communities, and making UPS an unsurpassed financial donor to United Way.



5.1 Material Aspects in this Chapter

Earlier in this Report, we described our process for identifying material aspects of sustainability at UPS (see page 9). In this chapter, we discuss the following material aspects:

- Labor Relations
- Workforce Diversity
- Employee Health, Safety & Wellness
- Recruitment, Training & Development

Before discussing our material aspects, we address two over-arching topics that will help readers understand the aspects. First, we present information about the people of UPS, including employment statistics and major sustainability-related programs and activities our people engage in around the world. We then describe the shared management approach that applies to all the material aspects we address.

LGBT BRG at the Atlanta Pride Parade, Atlanta, Georgia, U.S.



Agroforestry project, Tilor, Haiti. PHOTO CREDIT: © Bridget Besaw/TNC



Books for Africa volunteers, Atlanta, Georgia, U.S.



5.2 The People of UPS

As of September 30, 2013, UPS had 397,655 permanent employees, including 77,065 people employed outside the U.S., of which 27.1 percent were female. In the U.S., 18.4 percent, approximately 58,900 employees, were female. We hired 65,809 new permanent employees in the previous 12 months. These figures do not include approximately 85,000 people (20% female) who worked with us through the peak holiday shipping season in 2013. The box below presents further information on employment at UPS in 2013, broken down by senior management, middle management, admin/technical, and non-management (operations).

GLOBAL WORKFORCE

(Full-Time and Part-Time) *Global Operations**

GLOBAL FULL-TIME WORKFORCE

SENIOR MANAGEMENT	489
MIDDLE MANAGEMENT	44,301
ADMIN/TECHNICAL	30,039
NON-MANAGEMENT (OPERATIONS)	144,748

TOTAL **219,577**
(17.8% female)

GLOBAL PART-TIME WORKFORCE

SENIOR MANAGEMENT	0
MIDDLE MANAGEMENT	26,059
ADMIN/TECHNICAL	8,317
NON-MANAGEMENT (OPERATIONS)	143,702

TOTAL **178,078**
(22.9% female)

* UPS does not rely on workers who are legally recognized as self-employed or self-supervised for a substantial portion of the company's work.

UPS volunteers
planting trees,
Miami, Florida,
U.S.



Books for Africa
volunteers,
Atlanta, Georgia,
U.S.



Logistics
Emergency Team
member Oliver
Bartolo in Cebu,
Philippines



UPS volunteers
planting trees,
Miami, Florida,
U.S.





UPS Global Volunteer Month volunteers support UNICEF's Syria relief effort, Carteret, New Jersey, U.S.

In our volunteer work, we support all types of non-profit organizations: from grass-roots nonprofits in local communities to our global philanthropic partners. For example, in 2013, we committed to donating more than 25,000 employee volunteer hours over five years to United States military veterans and Veterans Service Organizations (VSO). If we're looking for a way to serve in our communities, many of us can turn to an internal global online system, called Neighbor-to-Neighbor, to find the right organization. In countries where Neighbor-to-Neighbor is not operational, we rely on local volunteer coordinators.

We can also nominate the non-profits we support for funding from The UPS Foundation. As part of its Local Grants Program, The UPS Foundation gave grants totaling US\$9.4 million to 598 such organizations in 2013.

Donating to United Way

Another way we empower others is by raising money for United Way, one of the best-known and widely respected community-based organizations in the United States. In 2013, UPS employees and retirees contributed US\$51.3 million to United Way. The UPS Foundation is authorized to match 15 percent of these United Way donations each year, and it did so again in 2013 with a donation of US\$7.8 million. For comparison, the respective totals in 2012 were US\$48.3 million from employees and US\$7.2 million from the company. Since our first formal United Way Campaign in 1982, we have together raised nearly US\$1.2 billion for the organization – more than any other company ever.



Ed Piglowski
UPS Jim Casey Community Service Award

Our Jim Casey Community Service Award recognizes a UPS employee each year for exceptional volunteerism. For 2013, the winner was Ed Piglowski. Ed's volunteer journey began when his son asked him to help raise money for a classmate who was battling leukemia. The child's family lived in a town that didn't offer the necessary medical care and could not afford the cost of traveling to receive it. The fundraiser that Ed and his son organized was a spark that ignited Ed's passion to help others. For 25 years he has been raising money, making connections between those in need and those who can help, and providing hope for patients and their families. His kindness continues to inspire others to lend a hand.

Participation in Sustainability

Empowered people tend to empower those around them, because they know what a difference it makes to have more resources, options, and opportunities. We present three examples of this in the paragraphs below.

Sustainability Ambassadors at UPS

We believe everyone at UPS should have an understanding of important sustainability issues and how we can make a difference. So we created a program, called Sustainability Ambassadors, that encourages employees to learn, share their insights, and take action toward meaningful results. In 2013, there were nearly 4,500 Sustainability Ambassadors worldwide, advocating for the environment at work, at home, and in their communities.

Volunteering in the Community

In 2013, UPS employees (along with our friends and families) donated nearly 1.8 million volunteer hours to non-profit organizations, close to the record level we reported for 2012. We make a special effort to boost volunteerism every October, which we have designated as UPS Global Volunteer Month. In 2013, together with our friends and family members in 50 countries around the world, we again logged more than 300,000 hours during UPS Global Volunteer Month.

5.3 Shared Management Approach

All the material aspects related to our people share a number of centralized management strategies, particularly regarding policy and responsibility, goals and performance, training and awareness, and monitoring and follow-up. These common aspects are summarized in the paragraphs that follow.

Policy and Responsibility

Organizational responsibility for executing our human resource policies and management approach rests with John McDevitt, a member of the Management Committee and Senior Vice President of Human Resources and Labor Relations. The Management Committee is responsible for ensuring that all UPSers follow all UPS policies. Our employment policies are set forth in our Code of Business Conduct and our Policy Book.

Goals and Performance

We use metrics and key performance indicators (KPIs) throughout our business to help us monitor and improve our employment practices. In our Corporate Sustainability Reports, we have published data on four of these KPIs every year since our 2002 Report, using the same terms and definitions as in past years:

- Full-Time Employee Retention Rate
- Employer of Choice Index
- Injury Frequency (Lost Time or DART)
- Auto Accident Frequency

We provide-multi-year results for these KPIs on [page 15](#).

Employee Engagement KPIs

The full-time employee retention rate for our global operations declined slightly, to 90.4 percent from 90.6 percent in 2012, but remained well above our 2016 goal of 87.5 percent. We anticipate that our retention rate may continue to decline slightly due in part to our large number of full-time employees who are approaching or have reached retirement age. This coincides with a time of rising productivity (due in part to information technology), which reduces the need to replace departing employees in equivalent numbers.

In 2013, the percentage of employees who consider UPS an employer of choice came in at 66 percent, below our 2016 goal of 72 percent. We caution that the 2013 result is not comparable to results in prior years, because we made significant changes to the items within the Employee Engagement Survey (EES) that make up the index for this KPI. We made these changes to better align the EES with our business goals and strategies, and therefore consider 2013 to be a new baseline for future comparisons.

Employee Safety KPIs

Both our employee safety KPIs cover our entire global operations. We recorded 1.8 lost time injuries per 200,000 hours worked in 2013, and 9.19 auto accidents per 100,000 driver hours. For both KPIs, the 2013 results represented an increase compared to 2012, but came in lower than in three previous years. Elements affecting our lost time injury and auto accident frequency include factors such as international expansion and a higher number of severe weather events in 2013. Our 2016 goals for these KPIs are lost time injury frequency of 1.75 and auto accident frequency of 9.0. More details on employee safety results appear later in this chapter, on [page 70](#).

Training and Awareness

We have a culture of developing our people within their current positions and for positions of greater responsibility. It is the responsibility of all management employees to formally and informally train and coach the people they manage. Our senior managers play an active role in motivating and developing our people.



Monitoring and Follow-Up

Within countries where we operate our own facilities, the human resources teams conduct periodic audits of compliance with local laws and regulations, as well as with UPS policies. They report results to their district human resources manager, and create and implement corrective action plans as needed. Our UPS Corporate Compliance and Ethics Group then conducts international regulatory compliance reviews within a set of selected countries, to confirm that the audit and response process is working effectively with regard to employment practices and compliance.

Listening to Our Employees

We gauge the effectiveness of our employment policies and practices around the world on a systematic basis, including detailed assessment of employee perceptions and engagement. One of our primary tools is our Employee Engagement Survey (EES), which gathers information from all levels and locations of the company. Many business units gather their survey results from a subset of their employees in sufficient numbers to ensure that results are representative for those business units. We report the results of the entire EES to all employees including the Management Committee. We use a subset of the EES for our annual KPI on employee engagement (see [page 15](#)), and have also created a new index on diversity and inclusion using a subset of EES results.

We also listen to our employees. Their ideas led to our employee shipping discount, flexible business attire programs, and enhancements to our rewards and recognition programs, among many other examples.



▲ CEO Scott Davis speaking at a UPS facility, Singapore

Additional Information

Numerous outside stakeholder groups monitor UPS with regard to workplace issues. These include industry publications, general interest publications, professional groups, and workplace interest groups. We welcome their observation and we take their views and reports seriously. When outside stakeholders raise issues about our workplace practices or performance, we engage with them directly to understand how we can best address the issues. Often, the result of external monitoring is receiving positive recognition regarding our policies supporting equal opportunity, diversity, and other employment issues.

During the fourth calendar quarter each year, our shipping volume rises dramatically due to online commerce related to year-end holidays. In 2013, we engaged approximately 85,000 people to work with us through this peak volume season. In some cases, we may also engage professional services companies to help us meet seasonal needs. We conduct those relationships in accordance with our Code of Business Conduct and Policy Book, other UPS governance structures, and all applicable laws and regulations. We believe the criteria established in our governance structures substantially meet or exceed existing international standards. Organizations that do not meet these standards are not eligible to provide recruitment and placement services to UPS.

5.4 Labor Relations



UPS is one of the largest private-sector employers in the world, with nearly 400,000 employees. Not only that, we are one of the largest unionized employers in the United States with nearly 240,000 people covered by collective bargaining agreements. So everything we do requires trust and teamwork among labor and management. To take just one example, few things matter to our customers more than reliability. To maintain business continuity and minimize disruptions, we must maintain successful relationships with our workers and their unions. All these factors make Labor Relations a material aspect for UPS.

Material Issue for UPS: Labor Relations		
ASPECT BOUNDARY WITHIN UPS	is	U.S. Operations
ASPECT BOUNDARY OUTSIDE UPS	is	Not material
CORRESPONDING GRI G4 ASPECT	are	Labor/Management Relations, Freedom of Association & Collective Bargaining, Labor Practices Grievance Mechanisms
GRI GENERAL STANDARD DISCLOSURES	include	G4-11
GRI SPECIFIC STANDARD DISCLOSURES	include	LA4, LA5, LA8, LA16, HR4, HR12



Management Approach to Labor Relations

We work closely with organized labor in the United States and employee representatives in all our international operations to build and maintain long-term, constructive, and mutually beneficial relationships. Collective bargaining associations represent more than 75 percent of our people in the United States, including almost everyone who handles packages or transports them. We communicate frequently with our people and their unions at many levels of the company to ensure that all parties are working toward positive results for UPS employees and other major stakeholders.

As a result of this management approach, we believe that UPS is one of the most successfully unionized large companies in the United States. We employ more members of the International Brotherhood of Teamsters than any other company in the world. The 2,573 pilots who flew for UPS Airlines in 2013 also belong to a union, the Independent Pilots Association (IPA). We are not aware of any operations or suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.

Good-Faith Bargaining

We bargain in good faith on all matters that involve our unions and the employees they represent. This includes dealing with union leaders at the national level and also working with local chapters of our unions throughout the United States. We train and develop our regional and national labor relations experts for years to prepare them for their responsibilities.

Our major labor relations achievement in 2013 was successful negotiation with the Teamsters that led to a new National master contract and related

local agreements covering our package delivery operations and freight operations. During the year, we also continued our successful engagement with the IPA via the Joint UPS-IPA Safety Task Force (see [page 66](#)). Unfortunately, despite the best efforts on both sides, we were not able to successfully conclude negotiations with the IPA on a new labor agreement. Shortly after the end of 2013, we agreed with the IPA to request mediation by the National Mediation Board (NMB), which has successfully mediated every contract UPS has negotiated with the IPA. UPS and the IPA remain committed to bargaining in good faith and working with the NMB to reach agreement in a timely manner.

Promotion from Within

Because we are strongly committed to promoting our people from within, we have a built-in advantage in working with our employees on a day-to-day basis. Nearly 63 percent of our managers in 2013 began at UPS in non-management positions. Thus, our leaders have first-hand experience of what employees care about, and our employees know it's likely that their managers once stood in their place.

In previous Reports, we reported the percentage of employees promoted to management for the United States only. Beginning with this Report, we are presenting the percentage on a global basis. The 63 percent figure is therefore lower than the level reported in 2012. Among other factors, we have a much smaller base of non-management employees outside the United States from which to promote, historical data is not available in many countries, and our rapid international expansion has necessitated hiring managers from outside the company.

LA8

Health and Safety Provisions

All of our United States collective bargaining agreements contain provisions that address the health and safety of our union employees. These agreements include, but are not limited to, the following topics: health and safety committees, hazardous materials handling, vehicle and personal safety equipment, and accidents and reports.

LA4

Minimum Notice of Operational Changes

UPS's collective bargaining agreements also include minimum notice periods regarding operational changes, which vary by master agreement and also according to specific requirements for local chapters of our unions. For example, the labor agreement, which covers our United States package delivery operations, requires a minimum notice period of 45 days.

LA16

HR12

Formal Grievance Processes

All our collective bargaining agreements in the United States have specific provisions regarding the methods for resolving grievances. These provisions mandate periodic meetings of union and company representatives, with escalation to the next level if the parties cannot agree on a resolution. Our non-union employees have an alternative process available for dispute resolution. In our international operations, we align grievance processes with national and/or local requirements in order to ensure compliance and better address local conditions and requirements.

To help us maintain and enhance successful relationships with our unions, we do not publish the number of grievances related to collective

bargaining agreements that are filed, addressed, or resolved during current or prior reporting periods. We provide all employees worldwide with a 24-hour "Help Line" that enables them to anonymously report their concerns about on-the-job issues in 35 languages and dialects. This gives us confidence that our company leaders are well aware of issues related to human rights, labor practices, and decent work. In 2013, we received more than 6,700 reports of employee concerns through the Help Line. We investigated all cases and took corrective or disciplinary action as appropriate to address each substantiated concern. We are not aware of any other significant human rights grievances presented to UPS in 2013, or any such grievances presented in 2012 for resolution within 2013.

Benefits of Strong Labor Relations

The constructive nature of our labor relations helps us in two vital areas of success for UPS: competitive excellence and exemplary safety. We present three examples in the following paragraphs.

Joint Competition Committee

Winning in the marketplace is what enables us to pay high wages for union workers and support them in many other ways. Because our marketplace is both dynamic and competitive, we need flexibility to adjust services, routes, and prices as conditions change. It is impossible to write all such detailed changes into union contracts, because they can run for up to seven years. The committee gets together regularly to address competitive threats and takes action (between contracts) as necessary to protect our business and grow union jobs. For example, when other companies use non-union labor to offer lower rates than we do for particular routes or services, the Competition Committee looks for solutions that enable UPS – and our union workers – to compete effectively for the business.

LA5

Joint Safety Committees

As we explain later in this chapter, safety is materially important to our sustainability as a company. We continually seek to increase the safety of our facilities, our equipment, and our operating procedures. Many of the ideas for these improvements and upgrades come from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,300 CHSP committees in UPS facilities worldwide. The framework for the CHSP allows for approximately 10 percent of the workforce to participate.

Joint UPS-IPA Safety Task Force

The Task Force includes three members from the IPA and three members from UPS management. Together, they have been working with the Federal Aviation Administration, Boeing, Airbus, safety vendors, and other industry experts, examining more than 40 options for enhancing safety in airplane cockpits. We began implementing Task Force recommendations in 2011, and expect the majority to be completed by 2014. These include cockpit safety systems for pilots, fire containment covers, temperature sensing systems for cargo areas of our aircraft, and fire suppression systems for cargo containers.

One of the Task Force's recommendations for increasing in-flight safety led to the purchase of 1,821 fire-resistant unit load devices (ULDs) in 2013. ULDs are usually pallets or containers that air transportation companies use to efficiently load luggage, freight, and mail into aircraft. The new ULDs are made of a fiber-reinforced composite plastic capable of containing an intense fire for four hours. In addition, they are 10 percent lighter than traditional ULDs, so they will help UPS Airlines use less fuel and avoid greenhouse gas emissions while increasing the safety of our pilots, aircraft, and customer cargo. The new ULDs now set the standard for our future ULD purchases.

5.5 Workforce Diversity



Our marketplace is the whole world, so we are face-to-face with human diversity every business day around the globe. We see how social and economic forces are making many communities more diverse - and that in some cases the transition is challenging for the people involved. At UPS, we can be a model of successful diversity and inclusion for other companies and for communities around the world. We also believe that it benefits our economic and social sustainability to be diverse and inclusive, because this helps us understand our customers' needs more deeply and offer the services they need to be successful.

Material Issue for UPS: Workforce Diversity		
ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Not material
CORRESPONDING GRI G4 MATERIAL ASPECT	are	Diversity & Equal Opportunity, Equal Remuneration for Men and Women
GRI SPECIFIC STANDARD DISCLOSURES	include	LA1, LA12, LA13



Management Approach to Workforce Diversity

Our management approach to workforce diversity begins with recruiting talented people regardless of their race, national origin, sex, gender identity, sexual orientation, age, disability, or religion. We then reward and promote them based on their performance, not favoritism. We expect our managers to foster diverse, inclusive working environments, and we help our many diverse groups support each other, exchange information, and engage with management. Our CEO leads the UPS Diversity and Inclusion Steering Council, which is comprised of senior leaders who set the strategy and develop initiatives surrounding diversity.

As a result of this approach, UPS is wonderfully diverse. For example, the 300 employees in our European headquarters represent 30 different nationalities. Within the United States in 2013, nearly 40 percent of our workforce was considered diverse as defined by the U.S. Equal Employment Opportunity Commission. This includes 21.6 percent African-American, 12.7 percent Hispanic, 2.6 percent Asian-American, and 0.6 percent Native American or other. Within our management ranks, 32.7 percent of employees in the United States come from diverse ethnic backgrounds.

Ethnicity is one of many facets of Workforce Diversity at UPS. Our Professional Conduct and Anti-Harassment Policy prohibits harassment based on race, national origin, sex, gender identity, sexual orientation, age, disability, or religion. All employees receive an orientation on this policy when they join the company, and this training is refreshed regularly.

The same is true about our everyday working environments. UPS has workplace policies and traditions that go back generations. Many of them strongly support diversity and inclusion, such as:

- Operating on a personal basis, founded on teamwork and first-name relationships
- Promoting from within
- Practicing objective, careful hiring methods
- Encouraging and assisting employee development by communicating regularly with employees
- Providing training opportunities and recognizing accomplishments
- Compensating employees fairly and maintaining a safe work environment
- Treating team members equally, without favoritism
- Respecting each employee's point of view

In short, to be successful UPSers, we have to value and include everyone on our team. This attitude is deeply woven into the way we work and we continue to reinforce it. We present examples from 2013 in the following paragraphs.

Management Accountability

We expect our managers to be models for others, and in 2013 we added a new element to annual performance reviews: how well the individual fosters an inclusive environment in which everyone is afforded opportunities to contribute and develop.

Diversity and Inclusion Index

We modified our Employee Engagement Survey (see [page 63](#)) to include relevant items that would allow us to create an index related to diversity and inclusion. This is an important step, because while it's easy to measure statistics on diversity, it is more difficult to quantify whether people feel fully included and involved.

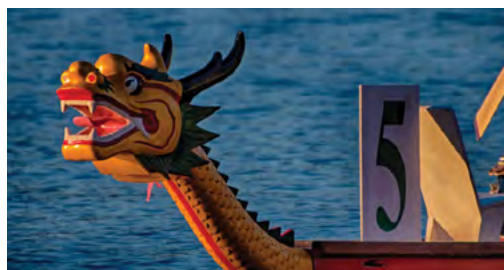
Management Engagement

In 2013, we launched a program to connect senior managers with our internal Business Resource Groups (BRGs). These groups bring together management employees from similar backgrounds to network, share ideas and information, and to maximize their skill development. We have already provided a range of resources to facilitate these activities, including an intranet site and various events. All our BRGs now have sponsors among senior management, including the members of our Management Committee. (The only Management Committee member who does not sponsor a BRG is our CEO, who chairs the UPS Diversity and Inclusion Steering Council as mentioned on the previous page.) At the end of 2013, we had 49 chartered BRGs in the United States for seven diverse groups including former members of the military. These figures have increased in 2014, and BRGs are also taking shape in our international business.

We created the sponsorship program to connect BRGs with people at the highest levels of UPS, so they can align their objectives with those of the

G4-10

LA12



▲ UPS's Asian-American BRG participated in the 18th annual Dragon Boat Festival, Lake Lanier, Georgia, U.S.

company. Another reason was to make sure our leaders have first-hand experience of the benefits that naturally come from a diverse and inclusive partnership in an organization that continues to expand its international business.

BRGs at UPS make significant contributions to growing the business and supporting the communities we serve. For example, our Asian-American BRG chapter in Atlanta established relationships with business leaders in the community that ultimately resulted in new supply chain business for UPS. In Germany, our Women's Leadership Development Group worked with the

German Ministry of Education and the Chamber of Commerce to give young girls an opportunity to experience various technical jobs first hand and discover how global logistics works.

LA13

EC5

Equal Remuneration for Men and Women

UPS provides for equal remuneration policies with regard to women and men and complies with all applicable laws and regulations. We believe this is the right thing to do, so we have made it part of our business policies, our compensation policies, and our contractual agreements with unions.

The ratio of our standard entry-level hourly wage to local minimum wage varies from location to location around the world. This is necessary to comply with local conditions. For example, we comply with national wage minimums in countries that set them, and with state and local minimum-wage laws that vary from the national standard in the United States.

STATISTICAL SNAPSHOT OF UPS DIVERSITY

	Age Groups <i>Global</i>			Genders <i>Global</i>		Minority Groups <i>United States</i>			
	<30	30-50	>50	Female	Male	African-American	Hispanic	Asian-American	Other*
GOVERNANCE BODIES									
BOARD OF DIRECTORS	0.0%	7.7%	92.3%	23.1%	76.9%	7.7%	0.0%	0.0%	0.0%
MANAGEMENT COMMITTEE	0.0%	0.0%	100.0%	11.1%	88.9%	22.2%	0.0%	0.0%	0.0%
EMPLOYEE CATEGORIES**									
SENIOR MANAGEMENT	0.0%	44.2%	55.8%	18.2%	81.8%	10.7%	4.2%	1.6%	1.8%
MIDDLE MANAGEMENT	21.2%	59.0%	19.7%	27.5%	72.5%	17.3%	9.8%	3.7%	1.5%
ADMIN/TECHNICAL	23.6%	56.0%	20.4%	57.1%	42.9%	22%	11.1%	4.5%	1.5%
NON-MANAGEMENT (OPERATIONS)	26.3%	52.9%	20.8%	12.7%	87.3%	22.6%	13.5%	2.2%	1.8%

*Native American, Hawaiian Islander, and "Two or More"

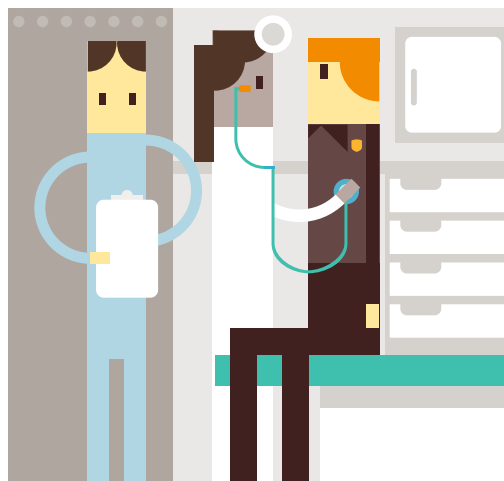
**Categories may not total 100% due to rounding

5.6 Employee Health, Safety, and Wellness

Our business requires our people meet challenging deadlines throughout the day while operating more than 100,000 vehicles, more than 2,700 facilities, and well over 200 airplanes around the world. The only way to maintain this level of commitment to our customers is with a matching commitment to the health, safety, and wellness of our people. We devote millions of dollars and millions of hours to safety training every year because accidents, injuries, and illnesses are not sustainable for a transportation and logistics company. We also coach each other regarding wellness, and donate time and money to non-profit organizations dedicated to improving community safety.

Material Issue for UPS: Employee Health, Safety, and Wellness

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Not material
CORRESPONDING GRI G4 MATERIAL ASPECT	are	Employment, Occupational Health & Safety
GRI SPECIFIC STANDARD DISCLOSURES	include	LA2, LA3, LA6, LA7



Management Approach to Employee Health, Safety & Wellness

UPS offers employees a rich set of programs and benefits to promote whole-person health and wellness. We keep our employees safe, using a combination of training, technology, recognition, and continual communication about safety and how to increase it. We keep our training techniques current with multimedia technology and also adapt them to fit our growing international business and work in emerging markets. We work closely with our unions, through thousands of safety committees. We recognize and reward employees with exceptional safety records, and encourage everyone to strive for the same high standards.



Health and Wellness

Health Benefits

In 2013, UPS provided health benefits for more than 718,000 employees, retirees, and their

dependents. We administer several benefit plans to meet the health and wellness needs of various employee groups. In addition, we make contributions on behalf of employees in union-administered plans. While there are variations in available plans, the following is an overview of UPS employee benefits:

- Medical care, including a prescription drug program
- Dental care
- Vision care
- Life insurance
- Supplemental group universal life insurance
- Business travel accident insurance
- Short-term and long-term disability coverage
- Child/eldercare spending accounts
- Pretax healthcare spending and savings accounts
- Work-life balance programs

UPS benefits within the United States include education, counseling, and other programs that help us and our families deal with a range of issues, including serious disease, substance abuse, smoking, diabetes, high blood pressure, and many others. Our “health coaches” program gives eligible UPS employees access to registered nurses who provide confidential assistance in understanding healthcare issues and navigating the healthcare system. Health coaches helped more than 8,800 UPS employees and family members in 2013. In many countries outside the United States, legislation or national practice affords citizens with benefits programs as an integral part of the social system. We offer private benefit plans to our international operations to supplement these programs. *Continued* →

In the United States, our Employee Assistance Program (EAP) provides practical information, referrals to trained professionals, and support for a wide-range of work/life issues from financial concerns and childcare to substance abuse and bereavement. Since we began the EAP in 2006, more than 610,000 UPS employees and/or household members have benefited from it.

In 2013, we announced two major changes in healthcare benefits for 2014 that affected a limited number of our non-union employees in the United States. A UPS employee's working spouse with access to medical coverage through his or her employer was no longer eligible to enroll for medical coverage through UPS. Any spouse who does not work or does not have access to healthcare coverage through his or her own employer is still eligible for coverage through the UPS employee's plan. We also enacted a premium increase for medical coverage for tobacco users who do not complete the tobacco cessation program provided by UPS. Participants who complete the tobacco cessation program in 2014 will be refunded the total tobacco premium increase they paid.

LA2

Other Benefits and Availability

We further invest in our people by offering a competitive range of other benefits in addition to those for health and wellness. In the United States, these other benefits are generally provided to non-union employees without regard to full-time or part-time status. They include:

- Retirement plans
- 401(k) plans
- Tuition assistance
- Discounted employee stock purchase plan

- Paid time off
- Employee discounts
- Relocation programs

Certain of these benefits are not available to all or some part-time employees. These include long-term disability coverage, business travel accident insurance, and tuition assistance; availability may vary by location and employee position. Furthermore, certain of these benefits may in practical terms apply only to management employees, such as those taking advantage of our relocation programs. Our union employees bargain collectively for their benefits via their union representatives. Temporary employees and seasonal workers are not generally eligible for UPS benefits.

LA3

Parental Leave

More than 2,800 UPS employees took parental leave in 2013. Of these, 46 percent were female. The return-to-work rate following parental leave was 99 percent. We do not have data for 2012 that would enable us to report on employment status in 2013 for employees who took parental leave, returned to work, and were still employed 12 months later. Data from within 2013 indicated that 97 percent of employees who returned from parental leave were still employed at UPS at the time this Report was published.

LA6

LA7

Safety

Few things are more sustainable than safety. At UPS, safety is deeply ingrained as a matter of formal training, careful facility and equipment design, and a corporate culture that values each person's ability to perform for team success.

Training

More than 460 people at UPS worked full-time providing safety leadership in 2013. This is in addition to the CHSP committees previously described (see page 66). We spent more than US\$175 million on teaching more than 180 formal safety training courses in 2013. This represents about 31 percent of our training spend. Our employees devoted well over 3 million hours to safety training during the year, with the majority focused on working safely with vehicles, airplanes, and freight handling.



See through package delivery vehicle allows trainers to ensure trainees learn safe loading techniques, Landover, Maryland, U.S.

Compliance

As always, we continued to enforce stringent policies governing working hours, rest hours, rest facilities, and leave times for people who drive and operate vehicles. These policies are tailored to the different types of work we do and how we do it. They conform to laws and regulations in the countries, states, and other political entities where we operate, and they are often included in our contracts with collective bargaining organizations. We regularly audit how well we conform to our safety policies, and also how well they serve our people as our business grows and changes.

Continued →

Achievements

We expect a lot from UPS drivers. Along with operating vehicles and handling packages, they're the face of UPS to millions of customers every day. We also expect them to be among the safest drivers on the road. When our drivers have driven for UPS for 25 years without an avoidable accident, we induct them into our "Circle of Honor." It is truly an honor among UPSers to enter the Circle because so many of us have been drivers and know what it takes to avoid accidents day in and day out. In 2013, 1,519 drivers from three countries – the United States, Canada, and Germany – reached that milestone. This includes 40 women from the United States.

Meanwhile, many other members of the Circle of Honor are maintaining their perfect records long after 25 years. Collectively, the 7,221 drivers in the Circle of Honor have logged more than 5 billion miles. That's enough miles to circle the earth 200,000 times. In 2013, Thomas Camp reached 51 years of accident-free driving with UPS. With that he surpassed Ron Sowder, the only other UPS driver who has reached the elite 50-year level. Ron did it in 2011, before his retirement.

Challenges

Earlier in this chapter, we reported on our two global KPIs related to accidents and injuries: lost-time injury frequency and auto accident frequency. Here we present additional details.

In 2013, 80.1 percent of injuries in the U.S., Canada, and Puerto Rico involved men; the remaining 19.9 percent involved women. We do not presently report similar data in other countries, and we do not presently track days of absenteeism. We are not aware of any occupational diseases among UPS employees, or of any incidence or high risk of disease related to our occupations at UPS.

We deeply regret the fatal accidents that claimed the lives of nine UPS employees in 2013, including

eight men and one woman. Six of the fatalities involved auto accidents, and two involved an air accident with UPS Airlines flight 1354. One occurred while an employee was on his way to work. Whenever an accident occurs on the job at UPS, we invest significant management attention in investigating the cause and improving our procedures and safety training where necessary.

Increasing Global Road Safety

The U.N. Decade for Road Safety has identified motor vehicle accidents as a global concern. The UPS Road Code™ program teaches safe-driving practices to teens using sophisticated multimedia and teaching techniques drawn from UPS's own driver safety courses. The UPS Foundation provides funds for the technology, while UPS employees and retirees teach the program on a volunteer basis. We offer UPS Road Code at 52 sites in the United States and four other countries: Canada, China, Germany, and the United Kingdom. We opened our China site in Shanghai in 2013.

We also continued our support of another community road safety program in 2013: providing helmets for young people riding scooters in Southeast Asia. In 2012, we pledged US\$450,000 to the Asia Injury Prevention Foundation over three years to purchase 27,500 helmets. As part of this multi-year program, UPS employees are volunteering their time to urge schools, families, and children to adopt helmets as a way to avoid injuries in case of accidents.



▲ Thomas Camp has been driving for 51 accident-free years with UPS

5.7 Recruitment, Training, and Development

Our industry, our customers, and the world's transportation infrastructure are all changing constantly because of new ideas, new technology, and new environmental challenges. To sustain our success and continue to do more for our customers, we must remain at the forefront of knowledge and technology. That's why we spend a significant percentage of revenue on training, educational opportunities, and developing the leadership potential of our employees. These investments are materially important to our sustainability, because they enable innovation and efficiency and allow us to deliver the best results.

Material Issue for UPS: Recruitment, Training, and Development

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Not material
CORRESPONDING GRI G4 MATERIAL ASPECT	is	Training and Education
GRI SPECIFIC STANDARD DISCLOSURES	include	LA9, LA10, LA11

Management Approach to Recruitment, Training, and Development

We believe that UPS employees are among the most motivated, high-performing people in our

industry. This gives us a strong motivation to recruit good people and keep them with us for the long term. Our management approach includes:

- Keeping our people employed through the business cycle
- Promoting from within
- Offering a range of training and talent development opportunities

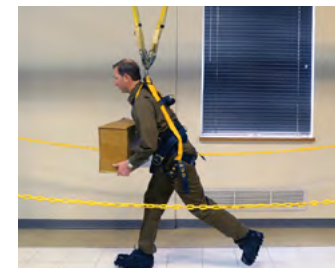
When the business cycle or other forces drive changes in our staffing needs, we take steps to retain people rather than release them. These include limiting new hiring, transferring employees into equivalent positions in other departments, and training them for new assignments. This approach makes all our recruitment, training, and development more effective, because the people we have invested in most tend to remain with UPS for long periods.

Promoting our people from within is a long tradition at UPS. It includes:

- Part-time workers moving into full-time positions
- Non-management employees moving into management positions
- Supervisors and managers moving into positions of greater responsibility

Approximately 39 percent of our current full-time drivers were once part-time employees, and nearly 63 percent of our full-time managers (including most vice presidents) were once non-management employees. Our part-time workforce totaled approximately 178,078 people in 2013. During the year, 9,360 part-time employees advanced to full-time work. At the end of the year, our management ranks included 2,156 employees who were promoted into management for the first time.

Slip & fall training in Landover, Maryland, U.S.



We offer employees at all levels of the company a range of training and development options (in addition to the safety training described earlier; see [page 70](#).) This strategy is engrained in our culture. It ensures that employees have the skills and knowledge required to perform their current job successfully, and also invites them to continue to develop throughout their career.

Recruitment

As mentioned earlier in this chapter, in "Workforce Diversity", we recruit talented people regardless of their race, national origin, sex, gender identity, sexual orientation, age, disability, or religion. We also strive to recruit people from within the local community, both in the U.S. and in our international locations. Among full-time management employees, fewer than 0.5 percent came from outside the country where they worked in 2013 (185 expatriates out of 44,790 full-time management employees). The majority of our international senior management employees are working for UPS in their home countries. We post available positions in the United States on upsjobs.com.

In 2013, we received an Optimas Award from Workforce magazine, which recognizes human resources and workforce management initiatives that achieve business results for their organizations. UPS received a Gold level award in the Recruiting category, for leveraging social media platforms to make it easier for potential employees to find and apply for jobs using smartphones and other mobile devices.

UPS Steps it Up for Veterans

In the first quarter of 2013, UPS announced a commitment to hire more than 25,000 former military members over the next five years and to serve more than 25,000 employee volunteer hours helping veterans and Veterans Service Organizations (VSOs) as part of the White House's "Joining Forces" program. UPS will also increase networking opportunities for vets, to help them transition into the civilian workforce. We're forming new alliances with VSOs, working through government outreach efforts to veterans, and increasing recognition for our own employee veterans. We also established a Business Resources Group (BRG) for veterans, and the BRG partnered with a local franchise of The UPS Store™ to send a popcorn machine to the 878th Engineering Battalion when it was stationed in Afghanistan for the unit's much-deserved movie nights. National Guard and Reserve members made up 7.5 percent of UPS's United States workforce (as of September 2013).

UPS has twice received the Secretary of Defense Employer Support Freedom Award, the nation's highest recognition for employers supporting National Guard and Reserve members. In 2013, we signed a formal Statement of Support with the Employer Support of the Guard and Reserve, an agency of the U.S. Department of Defense. We also announced a donation to the Paralyzed Veterans of America of US\$1 million (through The UPS Foundation, over three years). As in the past, we volunteered to help out with logistics for events sponsored by veterans' organizations throughout the country, including at the National Veterans Wheelchair Games, the Marine Corps Marathon, and the Veterans of Foreign Wars (VFW) National convention.



Training and Development

We offer a range of training, education, and development opportunities for people at UPS, so that they are prepared for today's tasks and tomorrow's challenges. This includes constructive feedback, coaching, and counseling from managers and co-workers. Employees receive formal and informal training in live and virtual classrooms, and at work. Additionally, self-development opportunities are available around the clock through an extensive e-learning library.

Training

In 2013, we spent approximately US\$565 million on training. Females received an average of 17.1 hours of training and males received 21.1. Training by employee category is shown in the table below.

TRAINING BY EMPLOYEE CATEGORY

Employee Category	Average Number of Training Hours <i>number of hours/number of employees in category</i>
SENIOR MANAGEMENT	8.1
MIDDLE MANAGEMENT	29.7
TECHNICAL/ADMINISTRATIVE	6.7
NON-MANAGEMENT (OPERATIONS)	15.7

We spent an average of US\$1,246 per learner for training and development in 2013. (In our 2012 Report we reported the cost per learner on an hourly basis. The comparable full-year figure for 2012 was US\$1,020, and the difference between 2012 and 2013 is due primarily to improved data collection.) We continued to increase the percentage of our learning that is delivered through a variety of methods and media, allowing

us to reach our employees globally. For example, we are steadily building the library of on-demand offerings that we provide via UPS University, our enterprise-wide learning management system. We continue to explore traditional and non-traditional methods for delivering consistent, just-in-time training.

Formal Education

All full-time employees in the United States are eligible to receive tuition assistance for higher education. In addition, all part-time management employees and our part-time package handlers in our major hubs (more than 100,000 employees in more than 350 locations in the United States) qualify for our "Earn & Learn" program, which provides tuition assistance while students work at UPS. This has helped make college students an important source of part-time workers for us. They constituted approximately 50 percent of our newly-hired part-time employees in 2013. We provided more than US\$15 million in tuition support to 7,868 UPS-employed students. In addition, the James E. Casey scholarship program, which provides tuition support for children of UPSers, was expanded outside the U.S. in 2013.

Development and Talent Management

We encourage all management employees to continue their career development and job-related education. One of our resources for this is UPS University, described previously. Other major avenues for employee development include the comprehensive talent management processes that are part of our annual Quality Performance Review (QPR) process. This process includes an annual performance review, career development planning, and Administrative & Technical Performance Appraisal (ATPA). We use the QPR and ATPA to set expectations for how performance will be measured for our employees. This allows us to measure actual performance, recognize accomplishments, and identify areas for continued development.

Continued →



In 2013, 94.5 percent of female management employees and 95 percent of male management employees received performance reviews. Additionally, 83.3 percent of U.S. administrative/technical full-time personnel received performance reviews.

Annual performance discussions, including leadership skills and multi-rater feedback, prepare our management teams for career development. Through career development, management employees identify interests and aspirations, and plans for future professional growth. These discussions determine strengths and opportunities, and encourage individuals to focus on career goals.

We also provide a number of external programs for career development. These include support

for professional certifications and attendance at seminars and conferences, and the UPS Community Internship Program for senior managers.

G4-10

Women's Leadership Development

One of our most successful development efforts focuses on women. This is vital to our sustainability because many front-line positions in our business, such as drivers and package loaders, have historically attracted more men than women. Even though countless women have performed successfully in these roles, and we recruit them just as diligently as we do men, the statistics don't lie: men respond to front-line job opportunities at UPS in greater numbers than women. Coupled with our focus on promoting from within, this has created a need for us to develop and retain women

for supervisory and management positions. Our Women's Leadership Development Program (WLD) encourages our existing women in management to remain with the company and develop their careers within UPS. There are 23 WLD groups in the United States for women seeking to develop their leadership capabilities, and WLD is also active in all of our international regions. In 2013, 29.1 percent of our management employees were women, compared to 29.0 percent in 2012. These figures are well above the respective percentages of women in the overall workforce in our industry in these years, including both management and non-management employees. The overall UPS workforce was 20.1 percent female in 2013, compared to 20.2 percent in 2012. Women's Leadership Development is one of the seven BRG categories currently active at UPS (see "Workforce Diversity" on [page 67](#)).

6.0

Ethical Conduct

Our vision of sustainability is to deliver a better world with every connection we make.

That's why we place such high value on ethical conduct: dealing fairly, operating with integrity, honoring the letter and spirit of laws and regulations, establishing and enforcing strong policies, and always looking for the best way to work with others.

In our experience, sustainability thrives when people share their willingness to do more of the right things, for more of the right reasons.

Ethical conduct is the foundation of everything we do for global prosperity, environmental responsibility, and empowering people.



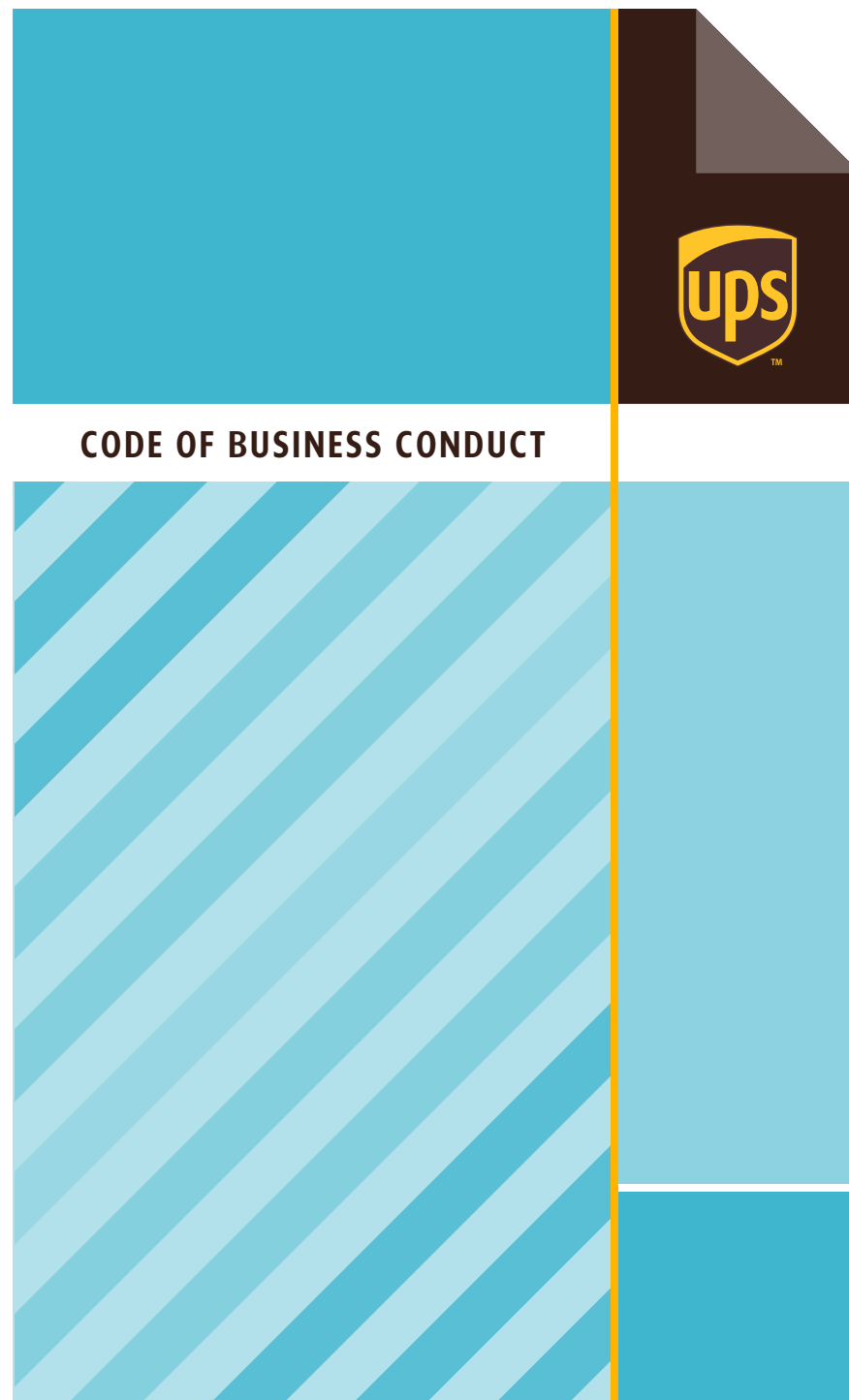
6.1 Material Aspects in this Chapter

Earlier in this Report, we described our process for identifying material aspects of sustainability at UPS (see page 9). In this chapter, we discuss the following material aspects:

- Ethical Conduct
- Management of Third-Party Representatives

Our management approach to Ethical Conduct and Management of Third-Party Representatives is to adhere to our corporate governance structures, policies, and processes. We therefore begin this chapter with information regarding corporate governance at UPS.

The UPS Code of Business Conduct states our policies and procedures.



6.2 Corporate Governance



We provide detailed information on governance structures, policies, and processes on our website, at www.investors.ups.com, both for online reading and for document download. Materials available, and topics covered, include (but are not limited to) the following:

- UPS Code of Business Conduct
- Company By-laws
- Corporate Governance Guidelines
- Board Structure
- Definition of Independent Director
- Board Committees & Charters
- Annual Election of Directors
- Director Resignation Policy
- Say on Pay
- Board and Chairman and Chief Executive Officer Evaluations
- Board Interaction with Institutional Investors, the Media and Customers
- Board Compensation
- Board Membership Criteria, Committee Appointments, and Selection of New Director Candidates
- Board Leadership
- Board Access to Senior Management
- Board Agendas and Materials
- Succession Planning and Management Development

This Report contains many references to values, principles, standards, and norms of behavior at UPS. A complete description of our values, principles, standards, and norms of behavior is available in our Code of Business Conduct, which is listed above as one of the resources available to the public on our website.

In addition, we make available on our website all relevant documents that we file with the United States Securities and Exchange Commission (SEC), including our [Annual Report on Form 10-K](#) and Proxy Statement. The latter document contains detailed information on corporate governance and management compensation at UPS.

Governance Related to Sustainability

We recognize that many of our stakeholders may be most interested in governance structures and processes related to sustainability. Here we provide a relevant summary, with a caution that this information is not intended as a complete view of corporate governance at UPS.



Board of Directors

We publish the governance structure for UPS, including the committees of our Board of Directors, committee charters, and member rosters for each committee, on our investor website. This includes processes for avoiding or managing conflicts of interest. The composition of the Board by age, gender, and minority group is provided on [page 68](#).



The Board delegates authority for day-to-day management of economic, environmental, and social topics to the Management Committee, which comprises the senior managers for all our

major corporate functions. The Management Committee further delegates relevant authority for economic, environmental, and social topics – particularly including all the material aspects discussed in this Report – to the appropriate organizations in the company. For example, Teri Plummer McClure, our Chief Legal, Communications and Compliance Officer, oversees the process of delegating authority for compliance and governance activities as well as the process of assuring that these activities are carried out effectively.



UPS was among the first Fortune 100 companies to appoint a Chief Sustainability Officer. This senior executive regularly reports to the Board regarding sustainability strategies, priorities, goals, and performance, and also chairs the Sustainability Directors Committee at UPS, which is one of our three global sustainability governance bodies.



Consultation between members of the Board of Directors and outside stakeholders occurs formally and informally throughout the year. Among the formal processes are reports to the Board by our Chief Sustainability Officer as described above. Stakeholders who wish to communicate directly with a member of our Board of Directors, or with our non-management directors as a group, may do so by writing to UPS.



The Chairman of the Board of Directors, D. Scott Davis, is also the CEO of UPS. All other directors, with the exception of our former CEO Mike Eskew, are independent. This means they have no material relationship, other than as a director of the company, with UPS or any of its consolidated subsidiaries. We believe this **Continued** →

combination of a fully engaged chief executive working with independent directors ensures strong leadership for UPS and broad assurance for stakeholders that the company balances such leadership with external perspectives.

G4-40

The Nominating and Corporate Governance Committee of the Board nominates directors based on their independence as well as their experience and expertise in a variety of areas, including economic, environmental, and social topics. In evaluating each candidate, the Committee considers factors such as personal character, values and disciplines, ethical standards, diversity, professional background and skills. Shareholders may nominate director candidates in accordance with our bylaws. Nominations are presented to our shareholders as part of our Annual Meeting process, which, because of the nature of UPS shareholding, means that stakeholders with a broad range of views and interests are able to influence whether nominees become directors.

With regard to economic, environmental, and social topics, the Board is in touch with stakeholder concerns through a number of processes. For example, the Board is regularly briefed on issues of concern for customers, unions, employees, retirees, and investors – among our largest and most influential stakeholder constituencies. Members of the Board also review our Corporate Sustainability Report, which typically contains Stakeholder Statements from customers, philanthropic partners, and other non-governmental organizations outside of UPS.

G4-42

G4-43

G4-45

G4-48

Our Board of Directors continually develops and enhances its knowledge of economic, environmental, and social impacts:

- The Board of Directors reviews economic, environmental, and social impacts regularly at scheduled meetings of the full Board and Board committees.
- Our Chief Sustainability Officer (CSO) regularly reports to the Board regarding sustainability strategies, priorities, goals, and performance.
- The Board receives regular reports from other governance bodies at UPS.
- The Board oversees all efforts by UPS management to develop, approve, and update our vision, values, strategies, policies, and goals related to economic, environmental, and social impacts.
- Members of the Board review the contents of this Report each year, and the Audit Committee of the Board oversees our process of securing third-party assurance and verification for the Report's contents.
- The Board also oversees and approves all strategic risk management efforts at UPS, including identifying and managing risks and opportunities associated with economic, environmental, and social impacts. As part of this oversight, the Board reviews the effectiveness of our risk management and due diligence processes related to economic, environmental, and social topics.

G4-44

The Board's Nominating and Corporate Governance Committee coordinates an annual self-evaluation of the Board of Directors and each committee, with the exception of the executive committee. The evaluation includes a review of performance with respect to governance of economic, environmental, and social topics. The results of the evaluations are reviewed by the Board and each committee, and appropriate actions are taken to address any areas of concern. While this is an internal self-assessment, we note that all members of each committee are independent Directors.

G4-49

G4-50

Should a critical concern arise regarding sustainability, the Board of Directors would receive report via the Management Committee, which communicates with all major corporate functions and is responsible for addressing and resolving such concerns. In 2013, no such critical concerns arose. While our markets remain both dynamic and competitive, and there are pressing environmental issues for our industry and the global economy as whole, our governance processes are designed to keep us fully engaged in these areas so that we are aware of concerns before they become critical to our sustainability.

G4-14

UPS has not formally adopted the precautionary principle. Adoption of the principle would apply primarily to potential harm related to use of fossil fuels and emission of greenhouse gases. We are fully aware of these risks, we are deeply engaged with the world community regarding them, and we manage our business to reduce, avoid, or mitigate them.

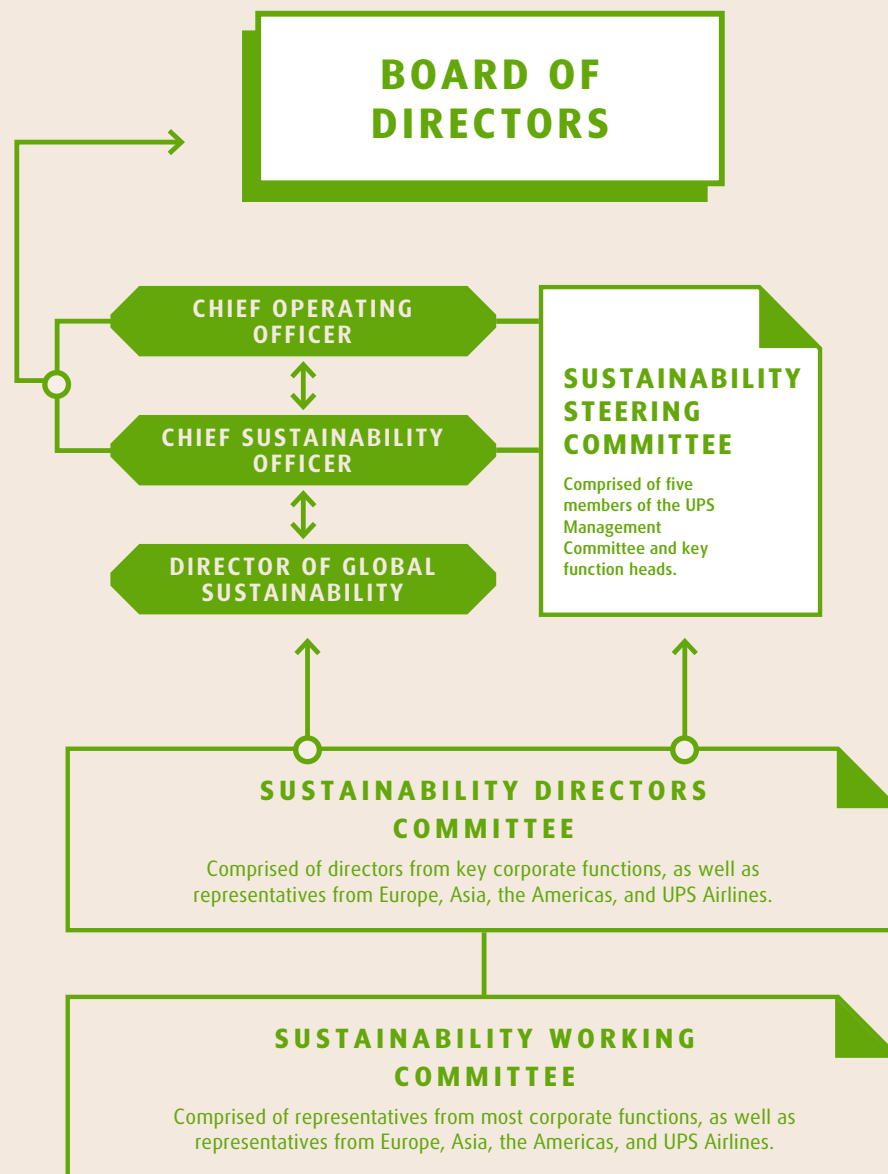
Sustainability Governance Bodies

As depicted in the diagram on [page 79](#), we have three governance bodies dedicated to sustainability at UPS, all of which support the Management Committee and Board of Directors. The Sustainability Working Committee is a broad-based, cross-functional organization that raises sustainability issues for discussion within UPS. Critical issues and decisions rise to our Sustainability Steering Committee *Continued* →

Our primary mechanism for shareowners and employees to provide recommendations or direction to the Board of Directors is direct communication via our Corporate Secretary:

UPS, c/o Corporate Secretary
55 Glenlake Parkway, N.E., Atlanta, Georgia 30328

SUSTAINABILITY MANAGEMENT AT UPS



which reports to our Management Committee. The chairperson of the Sustainability Steering Committee, Chief Operating Officer David Abney, is also a member of the Management Committee. Decisions and strategies set by the Management Committee and CSO are disseminated to our Sustainability Directors' Committee, which represents major corporate functions at a mid-management level.

Remuneration and Compensation Policies



Senior Management

The Compensation Committee of the Board of Directors sets performance criteria and compensation for the CEO, and also reviews and approves compensation for other executive officers. These policies are spelled out in our Schedule 14A Notice of 2014 Annual Meeting of Shareowners and Proxy Statement. The Compensation Committee annually engages an independent compensation consultant to make recommendations concerning executive compensation, including input on trends that may be important to investors. Additionally, the Committee keeps itself well informed regarding compensation practices and policies within our industry and among companies of similar size in other industries. Our most recent "Say on Pay" vote took place in early 2014. In 2013, we did not submit any resolutions to our shareholders regarding compensation matters.



Regarding the annual total compensation and percentage increase in such compensation for the organization's highest-paid individual in each country of significant operations, we do not disclose these figures relative to *Continued* →

the median annual total compensation for all employees (excluding the highest-paid individual) in the same country. The Securities and Exchange Commission (SEC) is in the process of establishing rules to require disclosure of the ratio of CEO pay to median employee pay. UPS will disclose this information in accordance with the final SEC rules.

Employees

UPS offers competitive hourly wages, salaries, and total compensation plans to both full-time and part-time employees. The primary process for setting compensation levels for our non-management employees is contract negotiations with collective bargaining associations. Unions represent more than 75 percent of all UPS workers in the United States. Many of our workers in other countries are also represented by collective bargaining organizations. Unions have historically ensured broad equality in remuneration for union workers, by both ethnicity and gender.

UPS provides for equal remuneration policies with regard to women and men and complies with all applicable laws and regulations. UPS currently does not report further on the ratio of basic salary and remuneration of women to men by employee category, or by significant locations of operation. UPS has engaged a third-party consultant to assist with periodic internal analysis to ensure that compensation remains equitable regardless of gender.

Stock Ownership

Our employees began sharing the benefits of stock ownership in the 1920s. UPS became a public company in 1999. Employees can purchase stock through the Discounted Employee Stock Purchase Program and their 401(k) plan. In 2013, approximately 97.1 percent of full-time management employees were shareholders.

UPS Perspective



**Teri Plummer
McClure**

*Chief Legal, Communications
and Compliance Officer*

There will never be a time in the future when people expect less of global corporations. Only more. More leadership on the challenges facing society. More engagement with our stakeholders. And more willingness to share the data and policies that govern our organizations.

This is not a fad. It is a reality ignited by technology and fueled by the desire for immediate access by those who use it. The net result is undeniably a good one. We believe that people prosper in environments where access to information and markets are uninhibited.

But this relentless push for more seldom comes with consensus. Nowhere is this clearer than in the evolving expectations for corporate responsibility. What does a good corporate citizen look like? Where can a company make the most difference while still honoring its primary commitments to stakeholders? The answers to these questions and others are not settled.

At UPS, we debate these questions every day. Yet we also understand that one of the most important tenets of corporate responsibility – transparency – is seldom debated.

That is why openness and balance are at the core of our strategy today. We were the first in our industry to publish a sustainability report, and have consistently provided better and more relevant information in each subsequent year. We open up about our sustainability governance practices to let people know how UPS manages important environmental and social considerations at the highest levels. And we engage regularly with new stakeholders while never losing sight of the employees and shareholders who make our future possible.

6.3
Ethical
Conduct

To maintain our industry leadership, our market position, and our ability to deliver sustainable growth to our stakeholders, we must maintain ethical conduct as a top priority. Operating with integrity is not only something we strive to do every day to earn our customers' trust, it is one of our most important values. We seek to demonstrate this in a number of ways, including by developing strong measures to prevent corruption and anti-competitive behavior, and ensuring compliance with applicable laws and regulations around the world.

The UPS Code of Business Conduct sets out the behavior we expect from our employees, the processes available to them for raising concerns about ethical conduct, and the channels we use to respond. Because we operate globally, we translated the Code into 16 languages so that our employees, agents, and third-party representatives in other countries can read it in the language that is best for them. In 2013, 96.8 percent of our management employees received training on the Code of Business Conduct.

Material Issue for UPS: Ethical Conduct		
ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
ASPECT BOUNDARY OUTSIDE UPS	is	Agents and outside service providers engaged by UPS
CORRESPONDING GRI G4 MATERIAL ASPECT	include	Anti-Corruption, Anti-Competitive Behavior, Compliance (Society), Compliance (Product Responsibility)
GRI GENERAL STANDARD DISCLOSURES	include	G4-57, G4-58
GRI SPECIFIC STANDARD DISCLOSURES	include	S03, S04, S05, S07, S08



Anti-Corruption and
Anti-Competitive Behavior

UPS's policy is to comply with all applicable laws, rules, and regulations in all countries where we operate. Nevertheless we are sometimes involved in lawsuits that arise in the normal course of business. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in anti-competitive behavior, antitrust activities, or monopolistic practices, as well as unlawful activities including violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other applicable anti-bribery laws, rules, and regulations in various countries. In 2013, we issued an updated version of our Anti-Corruption Compliance Manual. We are not

aware of any allegations of corruption from any government agency in the world with oversight of this issue. In our filings with the U.S. Securities and Exchange Commission (SEC), we publicly disclose information about judicial proceedings including actions involving competition law.

Compliance

At UPS, we are committed to operating responsibly because it is the right thing to do. We recognize also that our ethical business practices can be a competitive advantage. They help us:

- Take strong, proven compliance practices with us when we enter new markets
- Identify suppliers that align with our own approach to compliance
- Successfully identify, acquire, and integrate businesses that fit into our culture of integrity

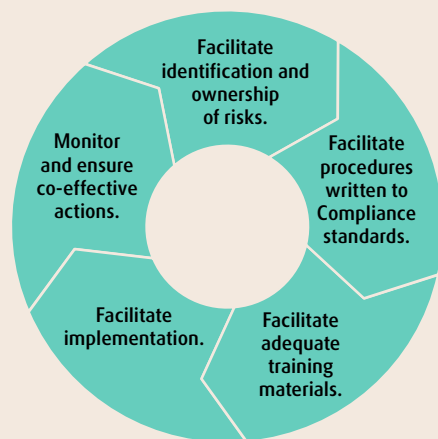
Global Compliance Process

UPS invests significant resources to address issues related to compliance, corruption, and anti-competitive behavior. We conduct an appropriate level of due diligence before entering into new business relationships, and we regularly review the work of our third-party representatives as a further check against compliance risks.

We have developed a five-step process to ensure measurable compliance effectiveness in all our international package, freight, and distribution business entities, and we actively implement it. This process is depicted on the following page. Our global compliance team facilitates the process for employees in our operating units.

The process starts with identifying and taking ownership of risks and then documenting processes and procedures to address those risks. Our compliance team then creates training programs and works with *Continued* →

UPS COMPLIANCE PROCESS



business unit managers to implement the processes, procedures, and training programs. The global compliance team continually monitors data streams and other information sources that our compliance processes and procedures generate. The focus of this monitoring is to audit and improve our compliance systems and behavior both locally and internationally.

Risk Analysis and Training

All managers and select non-managers of UPS receive initial training on compliance matters. We regularly review the UPS Code of Business Conduct with these employees, and we conduct comprehensive training on ethics and compliance every two years with a goal of training 100 percent of full-time managers and specialists. In addition to this training, we analyze our business units for compliance risks. One of our primary tools is our Business Compliance and Ethics Questionnaire, which we use to survey managers, supervisors, and technical specialists each year. The purpose of the survey is to identify events, situations, or relationships that could pose ethical

or legal risks. Approximately 41,637 full-time managers and specialists completed the Business Compliance and Ethics Questionnaire in 2013.

S03

Along with the training activities described above, we conduct systematic risk assessments relying on multiple internal and external factors to determine which UPS sites should be audited in any given year. We then audit methodically for evidence of fraud, corruption, and anti-competitive practices. We audit in dozens of countries every year. As part of our audit process, we also pay particular attention to significant changes in a UPS business entity or its regulatory environment that could increase the risk of unethical practices or inadequate controls. In 2013, our risk assessment covered 221 countries and territories. We conducted 38 audits that included corruption testing, and 15 corruption-specific audits. These audits included businesses with which we have both direct and third-party relationships. We currently do not report audit activity as a percent of operations.

The information we generate through these activities goes to our senior management, up to and including the Management Committee, for prompt review and response. Organizational responsibility for our business conduct and compliance policies rests with Teri Plummer McClure, Chief Legal, Communications and Compliance Officer, along with the Nominating and Corporate Governance Committee of the Board of Directors. Additionally, the UPS Audit Committee is responsible for overseeing the company's compliance obligations related to accounting and financial reporting.

S08

Compliance Challenges and Actions Taken

One of the compliance challenges we addressed in 2013 was preventing the use of our shipping services by illicit online pharmacies. In March of 2013, UPS forfeited US\$40 million from such online pharmacies and entered into a Non-Prosecution Agreement with the United States Attorney's Office (Northern District of California) that included a new Online Pharmacy Compliance Program (OPCP) aimed at preventing online pharmacies from using our services illegally. The OPCP implements, among other things, "red-flag" training among employees at various levels throughout the company and enhanced account due diligence and monitoring procedures.

G4-S7

G4-S8

Raising Concerns

At UPS, we are encouraged to raise concerns about compliance, ethics, or business conduct with our direct supervisor. Our policy is that employees will not face retaliation if they report in good faith about a violation or suspected violation of UPS's legal, ethical, or policy obligations. We can also contact any other manager or the Human Resources representative for our department.

If we don't believe that reporting in person is appropriate or effective, we can submit an anonymous report to the upshelpline.com or call a telephone "Help Line." Both these channels are monitored by an independent service provider, and are available 7 days a week, 24 hours a day. Translators are available to assist if necessary.

In 2013, we received 6,706 reports of employee concerns through the Help Line. We investigated all cases and took corrective or disciplinary action as appropriate to address each substantiated concern.

6.4 Managing Third-Party Representatives

As our business grows, we are entering into more contractual relationships with third parties who act on behalf of UPS, including suppliers of goods and services. These third-party representatives may be referred to in other UPS documents or policies as agents, providers, or outside service providers (OSPs). It is vital that all third-party representatives represent UPS's trustworthiness and commitment to compliance when they represent our brand and our products and services. We consider effective management of such representatives as material to our sustainability.

We require all suppliers to comply with relevant portions of our Code of Business Conduct. To make the requirements clear for third-party representatives, we have issued an Anti-Corruption Compliance Manual for Third-Party Representatives. This manual helps them better understand our expectations and requirements, such as the need to report actual or suspected compliance violations.

Material Issue for UPS: Managing Third-Party Representatives

ASPECT BOUNDARY WITHIN UPS	is	International Package Segment
ASPECT BOUNDARY OUTSIDE UPS	is	Agents and outside service providers engaged by UPS in Europe, Asia, and Latin America
CORRESPONDING GRI G4 MATERIAL ASPECT	include	Supplier Environmental Assessment, Supplier Assessment for Labor Practices, Supplier Human Rights Assessment
GRI SPECIFIC STANDARD DISCLOSURES	include	EN32, EN33, LA14, LA15, HR10, HR11

G4-12

UPS Supply Chain

As a global corporation, we have developed a diverse and highly distributed supply chain that ranges from global multinationals down to local and diverse small businesses.

- On a centralized basis, our supply chain includes a small number of suppliers of strategic, high-value assets that we purchased in limited numbers in selected years, such as jet aircraft and alternative fuel or advanced technology vehicles.
- On a national or regional basis, we regularly contract with a large pool of suppliers of transportation services, such as trucking companies and railroads; suppliers of fuel for our vehicle and air fleets; and third-party logistics operators that sometimes represent UPS as part of our global logistics network. Suppliers

in these national and regional categories typically account for a large share of our total procurement spending each year.

- On a localized basis, we purchase standardized products and services needed to operate our fleets and facilities. These products and services are usually widely available locally from multiple sources in most or all of the locations where we have significant operations.

In this Report, we discuss our local sourcing of goods and services (see "Local Procurement" on page 27) and our principles for purchasing energy responsibly (see "Fuel Supply" on page 40). In addition, UPS has had a formal supplier diversity process in place since 1992. As part of that process, we promise diverse suppliers that we have designated procurement professionals in our corporate, regional, and local offices to help them understand our requirements and qualify to meet them. In 2013, we spent approximately US\$858 million in procurement with diverse businesses. In a majority of cases, these businesses are locally based suppliers because of the highly distributed nature of our business.

EN32

EN33

LA14

LA15

HR10

HR11

Supplier Assessments

Our relationships with all our suppliers are governed by the UPS Code of Business Conduct, which applies to all UPS entities globally, including UPS's third-party representatives such as suppliers, vendors, consultants, and service contractors. We direct suppliers to the Code as part of the Supplier's Principles Agreement that we provide during the proposal process, and they must certify that they have read the Code and are aware that compliance with the Code is both expected and subject to audit. We also reference UPS's Statement of Environmental Sustainability

Continued →

in requests for proposals, to provide general awareness and set expectations for suppliers. We consider our supply chain relatively low-risk to UPS regarding negative impacts related to the environment, labor practices, and human rights. Nevertheless, during our assessment of potential suppliers, we survey the market and analyze supplier risks, including those related to economic, environmental, and social issues, if deemed necessary. For example, social risks may arise in countries where employment laws and customs vary significantly from what is considered the norm in the United States and other developed countries. In such cases, we use language in contracts and supplier audits that addresses social responsibility. We consider risks related to these factors to apply only to a small number of our suppliers.

Collaboration is also a vital component of our approach to supplier management. We work with many governmental and non-governmental organizations, as well as with our suppliers, to understand and improve sustainability in our supply chain. One important example of this collaboration is the EPA SmartWay program. UPS participates in this program and we strongly encourage our purchased transportation suppliers to participate as well. As we continue to formally integrate sustainability into our procurement processes, we anticipate that we will make corresponding evaluations of and adjustments to our supplier selection process.

As discussed above, we consider risks related to environmental, social, or labor issues to apply only to a small number of our suppliers. We do not currently report specific numbers or percentages related to screening or impact assessments, because we consider the information confidential. However, in 2013, we were not aware of any significant environmental, social, or labor issues related to these suppliers.

Reviews of Third-Party Representatives

We take special care when selecting third-party representatives that may interact with government officials or other outside parties on behalf of UPS. In September 2013, we launched a newly enhanced third-party due diligence ("3PDD") process, which defines how we perform mandatory vetting of agents, vendors, and suppliers working in industry sectors or countries associated with higher risk. The enhanced 3PDD process requires us to assess candidates' ownership, financial transparency, local licensure status, compliance record, labor practices, environmental practices, and more. This information is then recorded in a global electronic database to enable more effective ongoing monitoring and auditing of these third party relationships. The new process is mandatory for all in-scope vendors. We will monitor the results of this revised process, evaluate its success, and continue to refine it as needed.

Appendix



Appendix A About this Report

G4-28 → G4-30

Reporting Period

This Report focuses on data for 2013. We issue our Corporate Sustainability Report on an annual basis, including our previous Report focused on 2012. For Key Performance Indicators (KPIs), we present figures for up to four previous years (see [pages 15-16](#)).

G4-32

GRI Content

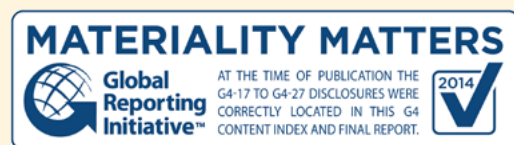
G4 Comprehensive

The Report is organized and presented in accordance with the G4 framework established by the Global Reporting Initiative (GRI).

The G4 framework includes two options for reporting in accordance: “Core” and “Comprehensive.” This Report fulfills the disclosure requirements for the “Comprehensive” option. We also present substantial additional information not specified by GRI, such as statements contributed by outside stakeholders and illustrations showing important relationships. UPS has voluntarily followed GRI reporting guidelines since 2003.

“Materiality Matters” Check

The G4 frame allows reporters to receive a “Materiality Matters” Check from GRI, which verifies fulfillment of the General Standard Disclosures G4-17 to G4-27. We have fulfilled the disclosure requirements to receive the “Materiality Matters” Check for this Report.



GRI Content Index

We provide a complete GRI G4 content index in Appendix F, beginning on [page 105](#).

GRI Indicators

Disclosures on GRI indicators are marked with green circles near the titles of chapters and their subsections. These support transparent and comparable disclosures about sustainability within and across industries.

External Assurance Reports

GRI recommends the use of external assurance, but it is not a requirement to be in accordance with the Guidelines. We conduct a strong assurance program that includes the following external assurance reports:

- Deloitte & Touche LLP assures this Corporate Sustainability Report. Their external assurance statement is on [page 87](#).
- Deloitte & Touche LLP assures our global Statement of Greenhouse Gas Emissions. Their external assurance statement is included in Appendix B, on [page 98](#).
- Société Générale de Surveillance (SGS) verifies our global Statement of Greenhouse Gas Emissions. Their external assurance statement is included in Appendix C, on [pages 99-100](#).

More information on our assurance policy is provided in the next section.

G4-33

Third-Party Assurance and Verification

We believe that outside assurance is vital to the credibility and transparency of sustainability reporting and performance for all companies, because it promotes the broader cause of sustainability. We therefore engage with

experienced and respected third parties to assure and verify our sustainability reporting. Authorization for these engagements, and approval of the providers we select, comes from the Audit Committee of our Board of Directors, which is our highest governance body. The assurance providers we engage with are independent organizations whose success depends on objective analysis and conclusions, free from outside influence.

For this Report, we engaged Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for the year ended December 31, 2012 and 2013.

We also engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a limited level of assurance on our 2013 Corporate Sustainability Report. Deloitte & Touche LLP’s assurance reports are on [pages 87](#) and [98](#) respectively.

We engaged SGS to conduct verification, in accordance with ISO 14064-3, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for the year ended December 31, 2013. The resulting verification statement is on [pages 99-100](#).

G4-31

Contact Us

Please send comments or questions about this Report to pr@ups.com, or in writing to:

UPS
Attention: Sustainability Report Editor
55 Glenlake Parkway N.E.
Atlanta, Georgia 30328

Appendix A

Independent Accountants' Review Report

Board of Directors, Shareowners, and Stakeholders
United Parcel Service, Inc.
Atlanta, Georgia

We have reviewed the accompanying UPS Corporate Sustainability Report 2013 of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2013. The Company's management is responsible for the Corporate Sustainability Report.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, *Attest Engagements*. A review consists principally of applying analytical procedures, considering management assumptions, methods, and findings, and making inquiries of and evaluating responses from persons responsible for corporate sustainability and operational matters. It is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Corporate Sustainability Report. Accordingly, we do not express such an opinion. A review of the Corporate Sustainability Report is not intended to provide assurance on the entity's compliance with laws or regulations.

The preparation of the Corporate Sustainability Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Different entities may make different but acceptable interpretations and determinations. The Corporate Sustainability Report includes information regarding the Company's corporate

sustainability initiatives and targets, the estimated future impact of events that have occurred or are expected to occur, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

Based on our review, nothing came to our attention that caused us to believe that the Corporate Sustainability Report does not include, in all material respects, the required elements of the Global Reporting Initiative G4 Sustainability Reporting Framework for the Comprehensive In Accordance Status; that the 2013, 2012, 2011, 2010 data, and the 2007 Transportation Index baseline included therein have not been accurately derived, in all material respects, from the Company's records, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

The comparative disclosures for periods prior to 2009, other than the Transportation Intensity Index baseline, were not reviewed by us and, accordingly, we do not express any form of assurance on them.

Deloitte + Touche LLP

July 7, 2014

Appendix B Statement of Greenhouse Gas Emissions

for the years ended December 31,
2013; 2012 (base year Scope 3) and
2010 (base year Scope 1 and 2)

GHG PERFORMANCE				
Global CO ₂ e Emissions ('000 tonnes)	2013	2012	% Change 12/13	Base Year
Scope 1	11,770	11,716	0.5%	11,713
Scope 2	828	823	0.6%	831
Gross Scope 1 & 2	12,598	12,539	0.5%	12,544
Scope 3	11,858	12,293 ⁽¹⁾	-3.5%	12,293
Gross Scope 1, 2 & 3	24,456	24,832	-1.5%	24,837
Voluntary carbon offsets for Scope 1 carbon neutral service (retired)	(35.9)	(36.0)		(2.7)
Voluntary carbon offsets for Scope 2 carbon neutral service (retired)	(3.3)	(3.2)		(0.2)
Voluntary carbon offsets for Scope 3 carbon neutral service (retired)	(9.3)	(4.4)		(0.3)
Net Global CO₂e Emissions	24,408	24,788	-1.5%	24,834
Biomass CO ₂ Emissions Not Included in Above Totals ('000 tonnes)	2013	2012		
Mobile Combustion – Biomass CO ₂ (e.g. ethanol, bio-diesel)	45	38		
Stationary Combustion – Biomass CO ₂	0	0		
Total Biomass CO₂ (reported separately as per GHG Protocol)	45	38		

(1) Recalculated 2012 Scope 3 GHG emissions to include categories 1 and 2 enabling the ability to better compare results over time.

Notes to Statement of GHG Emissions for the years ended December 31, 2013; 2012 (base year Scope 3), and 2010 (base year Scope 1 and 2)

Note 1 – GHG Reporting Policies

The statement of greenhouse gas (GHG) emissions was prepared based on a calendar reporting year that is the same as United Parcel Service, Inc. (UPS or the Company) financial reporting period. Organizational responsibility for our GHG Emissions reporting rests with our Chief Sustainability Officer.

Scope 1 and 2 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition.

Scope 3 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. Scope 3 emissions for 2013 included nine of the fifteen possible Scope 3 categories.

Collectively, the Corporate Accounting and Reporting Standard, Revised Edition and Corporate Value Chain (Scope 3), Accounting and Reporting Standard are referred to as the GHG Protocol in this document.

Notes 2-7 below include information on the GHG emissions by business unit, emission source, gas type, as well as intensity disclosures.

Appendix B

Base Year GHG Emissions

The GHG base year as set out below and has been prepared in accordance with the GHG Protocol.

The base year GHG emissions for Scope 1 and 2 were set as year 2010 as this was the first year the organization had assured the greenhouse gas emissions.

The base year for Scope 3 emission was set as year 2012, since was the first year the organization had reported on all applicable reporting categories.

Greenhouse Gases

All GHG emissions figures are reported in metric tonnes of carbon dioxide equivalents (CO₂e) and include four of the seven greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and hydrofluorocarbons (HFCs). Perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) emissions were omitted from our reporting as they are not a material source of greenhouse gases for the Company.

The GHG Protocol defines a global warming potential (GWP) as “a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO₂”. By using GWPs, GHG emissions from multiple gases can be standardized to a carbon dioxide equivalent (CO₂e). The global warming potentials used are:

Gas	Global Warming Potential (GWP)	Reference
CARBON DIOXIDE (CO ₂)	1	Second Assessment Report (SAR) published by Intergovernmental Panel on Climate Change.
METHANE (CH ₄)	21	
NITROUS OXIDE (N ₂ O)	310	
HFC-134a	1300	

GHG Reporting Scope and Boundary

The Statement of Greenhouse Gas Emissions includes Scope 1 (direct), Scope 2 and Scope 3 (indirect) emissions that were reported for operations within the organizational boundary described below. GHG emissions have been reported from the entities where the Company has operational control as defined by the GHG Protocol. For 2013, UPS is reporting on all relevant Scope 3 categories, see notes 8 and 9 for a detailed description of the operational boundaries.

UPS is a global company operating in over 220 countries and territories. Our three reportable business segments are U.S. Domestic Package, International Package, and Supply Chain and Freight.

1. The U.S. Domestic Package business consists of air and ground delivery of small packages – up to 150 pounds in weight – and letters to and from all 50 states.
2. The International Package reporting segment includes the small package operations in Europe, Asia, Canada and Latin America, the Indian subcontinent, Middle East and Africa.

- Europe is our largest region outside the United States – accounting for approximately half of our international revenue. In Europe, we provide both express and domestic service, much like the service portfolio we offer in the U.S., and based on the same integrated network model.

3. The Supply Chain & Freight segment consists of our forwarding and logistics capabilities as well as our UPS Freight™ business unit.

- We focus on supply chain optimization, freight forwarding, international trade and brokerage services for our customers worldwide, which include a broad range of transportation solutions including air, ocean and ground freight in over 195 countries.

- UPS Freight™ is a Less-than-Truck-Load (LTL) service, which offers a full range of regional, inter-regional and long-haul LTL capabilities in all 50 states, Canada, Puerto Rico, Guam, the Virgin Islands and Mexico.

No aquisitions or divestments occurred in 2013 that materially affect GHG emissions.

Methodology

For Scopes 1 and 2, primary usage data is used to calculate GHG Emissions. The primary data is collected through various internal processes and data systems which are inputted into our sustainability performance management software that quantifies associated emissions through the application of the GHG emission factors described previously.

GHG emission calculations for Scope 3 use various sources of secondary data since primary data is unavailable. The secondary data used varies from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment). The appropriate GHG activity factor is applied to estimate the emissions reported.



Appendix B

Scope	Uncertainty	Main Source of Uncertainty	Comments
SCOPE 1	+/- 1%	International Operations	<p>U.S. Operations (Small Package, Supply Chain & Freight) and UPS Airlines are our largest source of Scope 1 emissions and represent 98% of the total Scope 1 emissions. Well-established processes are in place to capture the primary data for these sources.</p> <p>International Operations represent 2% of the total Scope 1 emissions.</p>
SCOPE 2	+/- 2%	International Operations	<p>U.S. Operations (Small Package, Supply Chain & Freight) are our largest source of Scope 2 emissions representing 89% of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources.</p> <p>International Operations represent 11% of the total Scope 2 emissions.</p>
SCOPE 3	+/- 8%	Use of secondary data	<p>For 2013, UPS is reporting on all relevant Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard.</p> <p>Calculations for Scope 3 use various sources of secondary data since primary data is unavailable. Examples of the type of secondary data used vary from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment).</p>

Uncertainty

As calculations of GHG emissions contain uncertainty for a variety of reasons, we conducted an uncertainty analysis to quantify estimates of the likely or perceived difference between the reported GHG emissions and a qualitative description of the likely causes of the difference such as uncertainty in data inputs and calculation methodologies; uncertainty associated with mathematical equations used to characterize the relationship between various parameters and emission processes; and uncertainty associated with quantifying the parameters used as inputs to estimation models. UPS continues to improve internal processes for primary data collection to reduce uncertainty in its GHG inventory reporting for Scopes 1 and 2. UPS continues to work with the third parties responsible for providing the data necessary to calculate Scope 3 emissions and will continue to work on improving the data management and the methodologies used to estimate these emissions to reduce the uncertainty in its GHG inventory reporting. Using the GHG Protocol "Measurement and Estimation Uncertainty of GHG Emissions" guidance and analyzing the collected data through Monte Carlo simulations by using the @Risk statistical analysis software at 95% confidence interval, we are able to estimate the uncertainty for our 2013 GHG inventory as shown in the table above.

GHG Emission Factors

The carbon dioxide equivalent emissions associated with the activities noted above were determined on the basis of measured or estimated energy and fuel use, multiplied by relevant carbon emission factors.

Published emission factors were used to calculate emissions from operations.

Emissions Source	Emission Factor Employed
SCOPE 1 – GLOBAL	GHG Protocol Emission Factors from Cross-Sector Tools, Version 1.3 (Aug 2012)
SCOPE 2 – U.S.	U.S. Environmental Protection Agency eGRID2012
SCOPE 2 – CANADA	Environment Canada, Electricity Intensity Tables, 2009
SCOPE 2 – OTHER	GHG Protocol Emission Factors from Cross-Sector Tools version 1.3 (Aug 2012)
SCOPE 3 – GLOBAL	<p>Category 1 & 2: Green Design Institute, Economic Input-Output Life Cycle Assessment</p> <p>Category 4, 6, 7, 14: GHG Protocol Emission Factors from Cross-Sector Tools Version 1.3 (Aug 2012)</p> <p>Category 3: CEN/TC 320/WG 10 Methodology and Carbon Trust Footprint Expert, Version 3.3</p> <p>Category 4: EPA SmartWay Carrier Rankings and Emission Rates (railroad only)</p> <p>Category 5 & 12: 2012 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting</p>

Note 2 – Carbon Offset Purchases from UPS carbon neutral product for the years ended December 31, 2013; 2012 (base year Scope 3) and 2010 (base year Scope 1 and 2)

A carbon offset is a certified financial instrument aimed at a reduction in GHG emissions. The offsets we purchase meet the key standard of additionality, which means that the carbon reduction project in question (such as reforestation) produced a reduction in CO₂ generation or sequestration of CO₂ in addition to what would have been achieved by activities already planned or underway.

CARBON OFFSET PURCHASES FROM UPS CARBON NEUTRAL SERVICE

Project Name	Project Location	Offset Standard	Project Type	Metric Tonnes Retired
2013				
Garcia River Forest	U.S. (California)	CAR	Reforestation	11,880
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS	Wastewater Methane Destruction	26,107
Suzhou Qizi Mountain Landfill Gas Recovery Project	China	Gold	Landfill Gas Destruction	7,298
Kasigau Corridor	Kenya	VCS	Reforestation	3,182
2013 Total Offsets				48,467
2012				
Garcia River Forest	U.S. (California)	CAR	Reforestation	1,397
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS	Wastewater Methane Destruction	22,658
Suzhou Qizi Mountain Landfill Gas Recovery Project	China	Gold	Landfill Gas Destruction	5,202
Big River and Salmon Creek Forests	U.S. (California)	CAR	Reforestation	10,000
Kasigau Corridor	Kenya	VCS	Reforestation	4,318
2012 Total Offsets				43,575
2010				
Garcia River Forest	U.S. (California)	CRT	Reforestation	250
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS-Int'l	Wastewater Methane Destruction	500
Curva de Rodas and La Pradera landfill gas management project	Colombia	VCS-Int'l	Landfill Gas Destruction	611
Fuzhou Hongmiaoling Landfill Gas to Electricity Project	China	VCS-Int'l	Landfill Gas Destruction	1,800
2010 Total Offsets				3,161

Note 3 – Emissions by Business Unit for the years ended December 31, 2013; 2012 (base year Scope 3) and 2010 (base year Scope 1 and 2)

EMISSIONS BY BUSINESS UNIT

Arrows are relative to 2012 figures

Global CO ₂ e ('000 tonnes)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
2013				
Scope 1	6,688↑	4,181↓	900↓	11,770↑
Scope 2	616↓	72↑	140↑	828↑
Total Scope 1 & 2	7,304↑	4,253↓	1,040↓	12,598↑
Scope 3	6,179↑	1,869↑	3,810↓	11,858↓
Total Scope 1, 2 & 3	13,483↑	6,122↓	4,851↓	24,456↓

Note 3 – Emissions by Business Unit (continued)

EMISSIONS BY BUSINESS UNIT				
Global CO ₂ e ('000 tonnes)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
2012				
Scope 1	6,543	4,266	907	11,716
Scope 2	621	64	138	823
Total Scope 1 & 2	7,164	4,330	1,045	12,539
Scope 3	6,016 ⁽¹⁾	1,826	4,451	12,293
Total Scope 1, 2 & 3	13,180	6,156	5,496	24,832
2010				
Scope 1	6,649	4,022	1,042	11,713
Scope 2	615	72	144	831
Total Scope 1 & 2	7,264	4,094	1,186	12,544
Scope 3 ⁽²⁾	2,464	1,997	5,404	9,865
Total Scope 1, 2 & 3	9,728	6,091	6,590	22,409

Note 4 – CO₂e Intensity for the years ended December 31, 2013; 2012 (base year Scope 3) and 2010 (base year Scope 1 and 2)

CO ₂ e INTENSITY				Arrows are relative to 2012 figures
Global CO ₂ e ('000 tonnes/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
2013				
Revenue in millions	\$34,074	\$12,429	\$8,935	\$55,438
Scope 1	0.196 ↓	0.336 ↓	0.101 ↑	0.212 ↓
Scope 2	0.018 ↓	0.006 ↑	0.016 ↑	0.015 ↔
Total Scope 1 & 2	0.214 ↓	0.342 ↓	0.116 ↑	0.227 ↓
Scope 3	0.182 ↓	0.151 ↔	0.426 ↓	0.214 ↓
Total Scope 1, 2 & 3	0.396 ↓	0.493 ↓	0.542 ↓	0.441 ↓
2012				
Revenue in millions	\$32,856	\$12,124	\$9,147	\$54,127
Scope 1	0.199	0.352	0.099	0.217
Scope 2	0.019	0.005	0.015	0.015
Total Scope 1 & 2	0.218	0.357	0.114	0.232
Scope 3	0.183 ⁽¹⁾	0.151	0.487	0.227
Total Scope 1, 2 & 3	0.401	0.508	0.601	0.459

(1) Recalculated 2012 Scope 3 GHG emissions to include categories 1 and 2 enabling the ability to better compare results over time.

(2) Scope 3 information is presented for comparability purposes only. Scope 3 base year is 2012.

Note 4 – CO₂e Intensity (continued)

CO ₂ e INTENSITY				
Global CO ₂ e ('000 tonnes/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
2010				
Revenue in millions	\$29,742	\$11,133	\$8,670	\$49,545
Scope 1	0.224	0.361	0.120	0.236
Scope 2	0.021	0.006	0.017	0.017
Total Scope 1 & 2	0.245	0.367	0.137	0.253
Scope 3 ⁽²⁾	0.083	0.179	0.623	0.199
Total Scope 1, 2 & 3	0.328	0.546	0.760	0.452

Note 5 – Scope 1 and Scope 2 Emissions by Source for the years ended December 31, 2013; 2012 (base year Scope 3), and 2010 (base year Scope 1 and 2)

EMISSIONS BY SOURCE				
Global CO ₂ e Emissions ('000 tonnes)	2013	2013 Percent to Total	2012	2010
MOBILE				
Jet-A	7,160	56.8%	7,204	6,948
Diesel	3,653	29.0%	3,687	3,965
Gasoline	665	5.3%	579	510
CNG	10	0.1%	11	12
Propane/LPG	40	0.3%	41	38
LNG	12	0.1%	5	0.4
HFCs (fugitive)	6	0.0%	7	6.6
Total	11,546	91.7%	11,533	11,480
STATIONARY				
Natural Gas	207	1.6%	166	208
Heating Oil	7	0.1%	5	12
Propane	9	0.1%	12	13
Electricity	828	6.6%	823	831
Total	1,051	8.3%	1,006	1,064
TOTAL MOBILE AND STATIONARY	12,598	100%	12,539	12,544

Note 6 – Emissions by Greenhouse Gas Scope and Type for the years ended December 31, 2013; 2012 (base year Scope 3), and 2010 (base year Scope 1 and 2)

EMISSIONS BY GHG SCOPE AND TYPE IN METRIC TONNES OF CO ₂ e							
Global CO ₂ e Emissions ('000 tonnes)	Carbon Dioxide (CO ₂)	Methane (CO ₂ e) (CH ₄)	Nitrous Oxide (CO ₂ e) (N ₂ O)	HFCs (CO ₂ e)	HFCs		
2013							
Scope 1	11,678	6	0.28	79	0.26	6.3	0.01
Scope 2	824	0.4	0.02	4	0.01	0	0
Scope 3	11,784	7	0.33	68	0.22	0	0
Total	24,286	13.4	0.63	151	0.49	6.3	0.01
2012							
Scope 1	11,615	6	0.29	88	0.28	6.6	0.01
Scope 2	820	0.4	0.02	3	0.01	N/A	0
Scope 3	12,206 ⁽¹⁾	8	0.38	79	0.25	N/A	0
Total	24,641	14.4	0.69	170	0.54	6.6	0.01
2010							
Scope 1	11,620	5	0.24	81	0.26	6.6	0.01
Scope 2	827	0.4	0.02	4	0.01	N/A	0
Scope 3	9,764	10	0.47	91	0.29	N/A	0
Total	22,211	15.4	0.73	176	0.57	6.6	0.01

(1) Recalculated 2012 Scope 3 GHG emissions to include categories 1 and 2 enabling the ability to better compare results over time.

(2) Scope 3 information is presented for comparability purposes only. Scope 3 base year is 2012.

Note 7 – Scope 3 Emissions by Category for the years ended December 31, 2013 and 2012

SCOPE 3 EMISSIONS BY CATEGORY							
Global CO ₂ e Emissions ('000 tonnes)			Global CO ₂ e Emissions ('000 tonnes)				
2013			2013				
2012			2012				
UPSTREAM			DOWNSTREAM				
1	Purchased Goods & Services	2,351	2,235	9	Transportation & Distribution	Not applicable	Not applicable
2	Capital Goods	1,009	1,078	10	Processing of Sold Products	Not applicable	Not applicable
3	Fuel & Energy Related (not incl. Scope 1 & 2)	1,513	1,486	11	Use of Sold Products	Not applicable	Not applicable
	Jet-A (well to pump)	785	790	12	End-of-Life Treatment of Sold Products	6	6
	Diesel (well to pump)	295	297		Landfilled/Recycled	6	6
	Gasoline (well to pump)	132	105	13	Leased Assets	Not applicable	Not applicable
	CNG (well to pump)	3	3	14	Franchises	52	54
	Propane/LPG (well to pump)	7	7		The UPS Store® – Electricity/Natural Gas	52	54
	LNG (well to pump)	3	1	15	Investments	Not applicable	Not applicable
	Natural Gas, Heating Oil, Propane (stationary)	62	50				
	Electricity (T&D losses/generation of)	226	233				
4	Transportation & Distribution	5,165	5,668				
	Subcontracted Air	3,036	3,606				
	Subcontracted Ground	1,205	1,140				
	Subcontracted Rail	377	375				
	Subcontracted Ocean	547	547				
5	Waste Generated in Operations	15	15				
	Landfilled	13	14				
	Incinerated, Recovery, Recycled	2	1				
6	Business Travel	77	82				
	Business Travel – Air/Rail	31	34				
	Business Travel – Car	46	48				
7	Employee Commuting	1,670	1,668				
	U.S. Domestic Package	1,234	1,231				
	International Package	315	314				
	Global Supply Chain & Freight	121	123				
8	Leased Assets	Not applicable	Not applicable				
TOTAL SCOPE 3 EMISSIONS				2013	2012		
				11,858	12,293 ⁽¹⁾		

(1) Recalculated 2012 Scope 3 GHG emissions to include categories 1 and 2 enabling the ability to better compare results over time.

Note 8 – Operational Boundary – Detailed Description Scope 1 & 2*

*No Scope 1 or 2 activities have been excluded from this Report

Source	Scope	U.S. Package Operations	International Package Operations	Global Supply Chain & Freight
Jet-A (mobile)	1	All jet fuel used for UPS owned aircraft (U.S. flights)	All jet fuel used for UPS owned aircraft (International flights)	N/A – All Supply Chain & Freight moved on UPS owned aircraft is captured in package operations (U.S. and International)
Diesel & Gasoline (mobile)	1	All diesel & gasoline used in UPS owned/ leased vehicles to transport, pick up and deliver small packages	<ul style="list-style-type: none">• Diesel & gasoline used in UPS owned/ leased vehicles to transport, pick up and deliver small packages• Gasoline used for company-leased cars used by employees in Europe and Asia	<ul style="list-style-type: none">• Diesel & gasoline used in UPS owned/ leased vehicles to transport, pick up and deliver small packages• Gasoline used for company-leased cars used by employees in U.S., Canada, Europe and Asia• Diesel used in refrigerated trailers in U.S. freight operations
CNG (mobile)	1	All compressed natural gas used in UPS owned vehicles to transport, pick up and deliver small packages	All compressed natural gas used in UPS owned vehicles to transport, pick up and deliver small packages	N/A – Fuel type is not a source of emissions from this business unit
Propane/LPG (mobile)	1	All propane fuel used in UPS owned vehicles to transport, pick up and deliver small packages	All propane fuel used in UPS owned vehicles to transport, pick up and deliver small packages	N/A – Fuel type is not a source of emissions from this business unit
LNG (mobile)	1	All liquefied natural gas used in UPS owned vehicles to transport, pick up and deliver small packages	N/A – Fuel type is not a source of emissions from this business unit	N/A – Fuel type is not a source of emissions from this business unit
Natural Gas, Heating Oil, Propane (stationary)	1	Natural gas, propane and heating oil for facilities we own or lease	Natural gas, propane and heating oil for facilities we own or lease	Natural gas, propane and heating oil for facilities we own or lease
HFCs	1	Fugitive emissions from vehicle A/C systems	Fugitive emissions from vehicle A/C systems	Fugitive emissions from vehicle A/C systems
Electricity (stationary)	2	Electricity usage for facilities we own or lease	Electricity usage for facilities we own or lease	Electricity usage for facilities we own or lease

Note 9 – Operational Boundary – Detailed Description Scope 3

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% emissions calculated using data obtained from value chain partners
UPSTREAM SCOPE 3 EMISSIONS			
1 Purchased Goods & Services	<p>The upstream extraction, production, and transportation of goods and services purchased by all UPS operations, not otherwise included in Categories 2-8</p> <p>Exclusions: None</p>	Economic input-output life cycle assessment (EIO-LCA) model	0%
2 Capital Goods	<p>The upstream extraction, production, and transportation of capital expenditures purchased by all UPS operations, includes; buildings, aircraft, vehicles and information technology</p> <p>Exclusions: None</p>	Economic input-output life cycle assessment (EIO-LCA) model	0%
3 Fuel And Energy Related Activities Not Included in Scope 1 or 2	<p>Includes the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG, LPG, LNG, natural gas, heating oil and propane</p> <p>Includes the upstream emissions for the generation of purchased electricity and the transmission and distribution losses</p> <p>Exclusions: None</p>	The same primary data that is used to calculate the Scope 1 and 2 emissions for all energy usage is used to calculate the upstream emissions; the actual quantity of energy consumed is multiplied by the appropriate life cycle emission factor.	100%
4 Transportation & Distribution (Upstream)	<p>The emissions from purchased transportation (air, ground, rail & ocean) for the pick-up, transportation and delivery of packages/freight for our global operations includes emissions associated with:</p> <p>U.S. Package Operations</p> <ul style="list-style-type: none"> • Packages moved by third parties via aircraft, rail and tractor-trailers • Last-mile delivery of packages by the U.S. Postal Service <p>International Package Operations</p> <ul style="list-style-type: none"> • Packages moved by third parties via aircraft and tractor-trailers • Last-mile delivery of packages by the use of Agents and Outside Service Providers (OSP's) • Packages transported across the UK Channel by third parties via railroad or ferry • Packages transported by rail in Canada <p>Global Supply Chain & Freight</p> <ul style="list-style-type: none"> • UPS Supply Chain Solutions™: transportation, pickup and delivery for freight/packages by other third parties via aircraft, rail, tractor-trailers and ocean • UPS Freight™ Operations: transportation, pickup and delivery for freight in the U.S. and Canada via various modes of transport which include tractor-trailers, railroads and ocean transport of freight, typically to Hawaii, Puerto Rico, Guam and Alaska <p>Exclusions: Does not include Scope 2 emissions from third party transportation companies. Does not include any optional Life Cycle Assessment (LCA) emissions. Source has been excluded due to lack of means to measure emission source.</p>		100%

Note 9 – Operational Boundary – Detailed Description Scope 3 (continued)

Scope and Category	Emissions Included/Excluded (UPS Scope & Boundary)	Description of Methodology	% emissions calculated using data obtained from value chain partners
UPSTREAM SCOPE 3 EMISSIONS			
5 Waste Generated in Operations	Includes the emissions that occur for landfilled, incinerated, recovery and recycled wastes streams in the U.S. Exclusions: Emissions associated with wastes generated in operations outside of the U.S. Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.	Methodology used is actual waste disposed by waste stream multiplied by the appropriate LCA Emission factor.	100%
6 Business Travel	Includes the emissions that occur from air and rail travel, rental cars and the use of personal vehicles for business-related activities for our global operations. Exclusions: Does not include any optional life cycle emissions from hotel stays. Source has been excluded due to lack of means to measure emission source.	Travel agent provides a detailed breakdown of GHG emissions based upon actual travel activity	100%
7 Employee Commuting	Includes the emissions that occur for the transportation of our employees between their homes and their workplace for our global operations. Exclusions: Does not include any optional emissions from employee teleworking. Source has been excluded due to lack of means to measure emission source.	Actual number of employees multiplied by average gallons used per employee (UPS calculated this factor) multiplied by the emission factor for gasoline (8.81 kg CO ₂ per gallon). The UPS factor for estimated gallons per employee was created by combining a host of information from the U.S. Census data, Department of Transportation, the Federal Highway Administration, and other sources.	0%
8 Upstream Leased Assets	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because upstream leased assets are included in our Scope 1 and 2 emissions.	N/A	N/A
DOWNSTREAM SCOPE 3 EMISSIONS			
9 Transportation & Distribution	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer a sold product. For our sold service, emissions from non-UPS vehicles are reported in category 4 because they are purchased directly by UPS.	N/A	N/A
10 Processing of Sold Products	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	N/A	N/A
11 Use of Sold Products	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product.	N/A	N/A
12 End-of-Life Treatment of Sold Products	Includes the global emissions that occur for landfilled and recycled waste from UPS branded packaging materials sold to customers. Exclusions: None	Number of metric tonnes of purchased UPS branded packaging multiplied by the appropriate LCA Emission factor	100%
13 Downstream Leased Assets	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant downstream leased assets.	N/A	N/A
14 Franchises	Estimated electricity and natural gas usage for over 4,700 The UPS Store® locations serving the U.S. and Canada. Exclusions: Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source.	Using actual square footage of The UPS Store™ franchises multiplied by an average energy emission factor established by the EPA Energy Star Program.	0%
15 Investments	Not Applicable – We do not report on this category since the category as described by the WRI Guidelines is not relevant because UPS does not have any significant investments that fit this category.	N/A	N/A

Appendix B

Independent Accounts' Examination Report

Board of Directors, Shareowners, and Stakeholders
United Parcel Service, Inc.
Atlanta, Georgia

We have examined the accompanying Statement of Greenhouse Gas Emissions ("Statement of GHG Emissions") of United Parcel Service, Inc. (the "Company") for the years ended December 31, 2013, December 31, 2012 (base year Scope 3), and December 31, 2010 (base year Scope 1 and 2). The Company's management is responsible for the Statement of GHG Emissions. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, and, accordingly, included obtaining an understanding of the nature of the Company's greenhouse gas emissions and its internal control over greenhouse gas emissions information, examining, on a test basis, evidence supporting the Company's Statement of GHG Emissions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Environmental and energy use data are subject to inherent limitations, given the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

In our opinion, the Statement of GHG Emissions of the Company referred to above for the years ended December 31, 2013, December 30, 2012 (base year Scope 3), and December 31, 2010 (base year Scope 1 and 2), is presented, in all material respects, in conformity with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by the World Business Council for Sustainable Development and the World Resources Institute.

Deloitte & Touche LLP

May 28, 2014

Appendix C

SGS Independent Verification Statement

SGS United Kingdom Limited (SGS) has been contracted by United Parcel Service General Service Co. ("UPS") of 55 Glenlake Parkway, NE Atlanta, Georgia 30328 for the independent third party verification of direct and indirect carbon dioxide equivalent emissions (CO₂e) as provided in their 2013 GHG Assertion Appendix UPS 2013 GHG Statement. Verification was conducted in accordance with ISO 14064-3.

Roles and responsibilities

The management of UPS is responsible for the organization's GHG information system, the development and maintenance of records and reporting procedures in accordance with that system, including the calculation and determination of GHG emissions information and the reported GHG emissions.

It is SGS' responsibility to express an independent GHG verification opinion on the emissions as provided in the UPS GHG Assertion for the period January 1st 2013 – December 31st 2013.

Title or description activities:

The scope of this engagement covers the assessment of emissions from the following source streams:

Scope 1 Emissions:

- Jet fuel used in UPS owned aircraft
- Diesel and gasoline used in UPS controlled vehicles
- Compressed and liquefied natural gas used in UPS controlled vehicles Propane and LPG used in UPS controlled vehicles
- Natural gas, heating oil and propane used in UPS controlled facilities HFC's (fugitive) from vehicle A/C systems and refrigerated trailers

Scope 2 Emissions:

Electricity use in UPS controlled facilities

Scope 3 Emissions:

Category 1 *Purchased goods & services*

Category 2 *Capital goods*

Category 3 *Fuel and energy related*

- Upstream well to pump related emission to the point of (but excluding) combustion for Jet-A, Diesel, Gasoline, CNG,
- LNG, propane/LPG. Natural gas, heating oil and propane.
- Electricity – (generation and Transmission and distribution losses)

Category 4 *Upstream transportation and distribution*

- Subcontracted transportation including air, rail, ground and ocean

Category 5 *Waste generated in operation*

- Landfill
- Recycled

Category 6 *Business travel*

- Air
- Rail
- Car rental

Category 7 *Employee commuting*

Category 12 *End-of-life treatment of sold products*

- Landfill

Category 14 *Franchises*

- Electricity
- Natural Gas

Data and information supporting the GHG assertion were historical in nature for Scope 1 & 2 emissions and historical/estimated for Scope 3.

The organizational boundary was established following the operational control approach on a global basis.

Additional reporting for Scope 3

Please note that the Scope 3 Purchased goods & services and Capital Goods have been included for 2013 and also added to 2012 previous verified figures to enable a comparison.

Objectives

The objectives of this verification exercise were, by review of objective evidence, to confirm whether the GHG emissions as declared in the organization's GHG assertion were:

- Accurate, complete, consistent, transparent and free of material error or omission.
- Determined in accordance with the verification criteria below.

Criteria

Criteria against which the verification assessment was undertaken are the requirements of the ISO 14064-1:2006. Reference calculation methodologies used:

- Scope 1 & 2 emissions – World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol)
- Scope 3 emissions, the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard.

Level of Assurance and Materiality

The level of assurance agreed is that of reasonable assurance. A materiality level of 5% was applied. Note that assessment of compliance and materiality was undertaken against the stated calculation methodology.

Appendix C

Scope

- Reporting period – 1st January 2013 to 31st December 2013
- Intended user of the Verification Statement: UPS management, Carbon Disclosure Project, staff, stakeholders and general public
- Location/boundary of the activities: worldwide
- Types of GHGs included: CO₂, CH₄, N₂O, HFCs
- Consolidation Approach: Operational Control

Conclusion

We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a reasonable level of assurance that the reported GHG emissions for the period are fairly stated. We conducted our verification with regard to the GHG assertion of UPS which included an assessment of the GHG information system and monitoring and reporting methodology. This assessment included the collection of evidence supporting the reported data, and checking whether the provisions of the standard and methodology referenced in the verification criteria, were consistently and appropriately applied.

This statement shall be interpreted with the GHG assertion of UPS as a whole.

SGS' approach is risk-based, drawing on an understanding of the risks associated with calculating GHG emission information and the controls in place to mitigate these risks. Our examination included assessment, on a sample basis, of evidence relevant to the reporting of emission information.

Based on the data and information provided by UPS and the processes and procedures conducted, SGS concludes with reasonable assurance that:

- The GHG inventory methodology applied by UPS is sound, valid and based on best practice
- The estimated annual emissions are accurate, complete, consistent, transparent and free

of material error or omission in relation to the requirements of the calculation methodologies employed

UPS provided the GHG assertion based on the requirements of ISO 14064-1: 2006. The GHG information for the period 1st January 2013 to 31st December 2013 disclosing emissions of 24,456 thousand metric tonnes of CO₂ equivalent are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

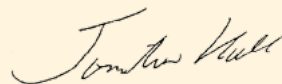
Emissions by scope are verified as follows:

Scope 1: 11,770 thousand tonnes of CO₂e

Scope 2: 828 thousand tonnes of CO₂e

Scope 3: 11,858 thousand tonnes of CO₂e

In addition to the emissions reported above, UPS has included in its GHG assertion that it has partially offset its emissions through the purchase and retirement of voluntary carbon offsets of 48,467 tonnes of CO₂ equivalent that are from projects adhering to international quality standards. This is outside the scope of the ISO 14064-1:2006 inventory.



Jonathan Hall

On behalf of
SGS United Kingdom Limited
May 12th, 2014

Appendix D

Initiatives to Reduce Greenhouse Gases

2013 CARBON INTENSITY EMISSIONS REDUCTIONS

Emissions Reduction Description: The following three metrics are the components of the UPS Transportation Intensity Index	Absolute CO ₂ e Emission Avoided in 2013 (metric tonnes)	2013 CO ₂ e Intensity	2012 CO ₂ e Intensity	Comments
U.S. Domestic Package: Absolute CO₂e Avoided (Ground operations only) Contributing factors/initiatives: implementation of telematics, improved vehicle routing, Conducting proactive maintenance on our vehicles, Shifting travel to low-emission vehicles. See 'Reducing Fuel Per Mile', page 52 for more details.	50,805*	2.44	2.47	1. Scope is U.S. Domestic Package ground movements 2. CO ₂ e Intensity factor expressed in lbs. CO ₂ e per Package 3. Avoided Absolute CO ₂ e = (2012 CO ₂ e Intensity x 2013 # of packages) – (2013 CO ₂ e Intensity x 2013 # of packages)
Global UPS Airlines: Absolute CO₂e Avoided Contributing factors/initiatives: miscellaneous initiatives including: lower flight speeds, computer-optimized flight plans, single engine taxi, winglets. See 'Reducing Carbon Intensity in Air Transport', page 49 for more details	108,596*	1.39	1.41	1. CO ₂ e Intensity factor expressed in lbs. CO ₂ e per ATM 2. Scope is UPS Airlines – Global Operations 3. Avoided Absolute CO ₂ e = (2012 CO ₂ e Intensity x 2013 ATM) – (2013 CO ₂ e Intensity x 2013 ATM)
U.S. Supply Chain & Freight: Absolute CO₂e Avoided Contributing factors/initiatives: implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum.	61,974*	0.19	0.20	1. CO ₂ e Intensity factor expressed in lbs. CO ₂ e per lb. of freight 2. Scope is UPS Freight™ LTL ground movements 3. Avoided Absolute CO ₂ e = (2012 CO ₂ e Intensity x 2013 lbs. of freight) – (2013 CO ₂ e Intensity x 2013 lbs. of freight)
Total	221,375			

*Absolute CO₂e emissions avoided in 2013 are estimated from the intensity factor improvements from 2012 to 2013

2013 INTERMODAL SHIFT EMISSIONS REDUCTIONS

Emissions Reduction Description	Absolute CO ₂ e Emission Avoided in 2013 (metric tonnes)
Air to Ground Mode Shift (U.S. Package Operations) see page 44 for more details	2,301,351*
Ground to Rail Mode Shift (U.S. Package Operations) see page 44 for more details	838,396*
Total	3,139,747

*Absolute CO₂e emissions avoided in 2013, due to intermodal shifts that occur in the U.S. Domestic Package

Appendix E

Enterprise Energy Performance

ENERGY PERFORMANCE			
Global Energy ('000 GJs)	2013	2012	% Change 13/12
Direct Energy	166,776	165,559	0.7%
Indirect Energy	5,665	5,701	-0.6%
Total Energy	172,442	171,260	0.7%

2013 BY BUSINESS UNIT				
Global Energy ('000 GJs)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Direct Energy	95,010↑	59,116↓	12,651↓	166,776↑
Indirect Energy	4,033↓	619↑	1,014↓	5,665↓
Total Energy	99,042↑	59,735↓	13,665↓	172,442↑

2012 BY BUSINESS UNIT				
Global Energy ('000 GJs)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Direct Energy	92,544	60,303	12,711	165,559
Indirect Energy	4,116	556	1,029	5,701
Total Energy	96,660	60,859	13,740	171,260

2013 ENERGY INTENSITY				
Global Energy ('000 GJs/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Revenue in millions	\$34,074	\$12,429	\$8,935	\$55,438
Direct Energy	2.788↓	4.756↓	1.416↑	3.008↓
Indirect Energy	0.118↓	0.050↑	0.113↑	0.102↓
Total Energy	2.907↓	4.806↓	1.529↑	3.111↓

2012 ENERGY INTENSITY				
Global Energy ('000 GJs/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Revenue in millions	\$32,856	\$12,124	\$9,147	\$54,127
Direct Energy	2.817	4.974	1.390	3.059
Indirect Energy	0.125	0.046	0.112	0.105
Total Energy	2.942	5.020	1.502	3.164

Appendix E

ENERGY BY SOURCE			
Global Energy ('000 GJs)	2013 GJs	Percent to Total Emissions 2013	2012 GJs
DIRECT ENERGY			
Jet-A	101,108	58.6%	101,724
Diesel	50,491	29.3%	50,959
Gasoline	9,797	5.7%	8,398
CNG	197	0.1%	209
Propane/LPG	637	0.4%	643
LNG	213	0.1%	85
Natural Gas (stationary)	4,093	2.4%	3,282
Heating Oil (stationary)	94	0.1%	74
Propane (stationary)	145	0.1%	184
Subtotal – Direct Energy	166,776	96.7%	165,559
INDIRECT ENERGY			
Electricity	5,659	3.3%	5,698
Facility Solar Power Generated	6.1	0.0%	3.2
Grand Total	172,442	100.0%	171,260

Appendix E

ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS

Energy Efficiency Improvements and Initiatives

Energy Saved Due to Conservation and Efficiency Improvements	Absolute Energy Avoided in 2013 (gigajoules)	2013 Energy Intensity	2012 Energy Intensity	Comments
U.S. Domestic Package: Absolute Energy Avoided Contributing factors/initiatives: Implementation of telematics, improved vehicle routing, Conducting proactive maintenance on our vehicles, Shifting travel to low-emission vehicles. See 'Reducing Fuel Per Mile', page 52 for more details.	1,158,411*	27.28	27.60	1. Scope is U.S. Domestic Package Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 Packages 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = $(2012 \text{ Energy Intensity} \times 2013 \text{ \# of packages}) - (2013 \text{ Energy Intensity} \times 2013 \text{ \# of packages})$
International Package: Absolute Energy Avoided Contributing factors/initiatives: Miscellaneous initiatives in our airline, including; lower flight speeds, computer-optimized flight plans, single engine taxi, winglets. See 'Reducing Carbon Intensity in Air Transport', page 49 for more details.	4,523,878*	93.58	100.67	1. Scope is International Package Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 Packages 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = $(2012 \text{ Energy Intensity} \times 2013 \text{ \# of packages}) - (2013 \text{ Energy Intensity} \times 2013 \text{ \# of packages})$
Global Supply Chain & Freight: Absolute Energy Avoided Contributing factors/initiatives: Implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum.	589,549*	1.20	1.26	1. Scope is Global Supply Chain & Freight Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 lbs of freight hauled 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = $(2012 \text{ Energy Intensity} \times 2013 \text{ lbs of freight}) - (2013 \text{ Energy Intensity} \times 2013 \text{ lbs of freight})$
Total	6,271,838*			

*Absolute energy avoided in 2013 were estimated from the energy intensity factor improvements from 2012 to 2013

Appendix F GRI Index

G4-32

This Report is organized and presented in accordance with the GRI G4 framework, using the “Comprehensive” option. Appendix F shows which G4 indicators and material aspects we cover in this Report, where to find them, and whether or not the relevant information has been externally assured.

Legend

✓	Indicates Deloitte & Touche LLP has provided a limited level of assurance on our sustainability report as a whole. See statement of assurance on page 87 .
✓+	Indicates Deloitte and Touche LLP has provided a reasonable level of assurance on our GHG statement as a whole, and that the indicator was verified by SGS. Statement of external assurance can be found on page 98 . Statement of SGS verification can be found on page 99 .
abc	Responses provided in supplementary reporting document. While these aspects do not meet our GRI G4 threshold for materiality, we provide information on them in a supplementary document because they are important elements of disclosures we provide to other sustainability entities or because they are of particular importance to select stakeholders.
abc	GRI G4 Aspect did not meet threshold for materiality.

GENERAL STANDARD DISCLOSURES

G4 Indicator	Page	Omission	External Assurance
STRATEGY AND ANALYSIS			
G4-1	4	—	✓
G4-2	12, 14-16	—	✓
ORGANIZATIONAL PROFILE			
G4-3	22	—	✓
G4-4	22	—	✓
G4-5	22	—	✓
G4-6	22	—	✓
G4-7	22	—	✓
G4-8	6, 22	—	✓
G4-9	22	—	✓
G4-10	61, 68, 74	—	✓
G4-11	65	—	✓
G4-12	83	—	✓
G4-13	22	—	✓
G4-14	78	—	✓
G4-15	17-18	—	✓
G4-16	17-18	—	✓

Appendix F

G4 Indicator	Page	Omission	External Assurance
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	<u>22</u>	—	✓
G4-18	<u>9</u>	—	✓
G4-19	<u>9-11</u>	—	✓
G4-20	<u>9-11</u>	—	✓
G4-21	<u>9-11</u>	—	✓
G4-22	<u>14</u>	—	✓
G4-23	<u>14</u>	—	✓
STAKEHOLDER ENGAGEMENT			
G4-24	<u>17</u>	—	✓
G4-25	<u>17</u>	—	✓
G4-26	<u>17</u>	—	✓
G4-27	<u>9-10, 17</u>	—	✓
REPORT PROFILE			
G4-28	<u>86</u>	—	✓
G4-29	<u>86</u>	—	✓
G4-30	<u>86</u>	—	✓
G4-31	<u>86</u>	—	✓
G4-32	<u>86, 105</u>	—	✓
G4-33	<u>86</u>	—	✓
GOVERNANCE			
G4-34	<u>77-79</u>	—	✓
G4-35	<u>77</u>	—	✓
G4-36	<u>77</u>	—	✓
G4-37	<u>77</u>	—	✓
G4-38	<u>77</u>	—	✓
G4-39	<u>77</u>	—	✓
G4-40	<u>77-78</u>	—	✓

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G4 Indicator		Page	Omission	External Assurance
G4-41		77-78	—	✓
G4-42		77-78	—	✓
G4-43		77-79	—	✓
G4-44		77-78	—	✓
G4-45		77-78	—	✓
G4-46		77-78	—	✓
G4-47		77-78	—	✓
G4-48		77-78	—	✓
G4-49		77-78	—	✓
G4-50		77-78	—	✓
G4-51		77, 79	—	✓
G4-52		77, 79	—	✓
G4-53		77, 79	—	✓
G4-54		77, 79	Not Reported – Reason for omission on page 79	
G4-55		77, 79	Not Reported – Reason for omission on page 79	
ETHICS AND INTEGRITY				
G4-56		77	—	✓
G4-57		82	—	✓
G4-58		82	—	✓
SPECIFIC STANDARD DISCLOSURES				
G4 Indicator	Description	Page	Omission	External Assurance
CATEGORY: ECONOMIC				
Economic Performance				
G4-DMA		24	—	✓
G4-EC1	Direct economic value generated and distributed	24	—	✓
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	27	—	✓
G4-EC3	Coverage of the organization's defined benefit plan obligations	24	—	✓

Appendix F

G4 Indicator	Description	Page	Omission	External Assurance
G4-EC4	Financial assistance received from government	27	—	✓
Market Presence				
G4-DMA		24	—	✓
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	68	Partially Reported – Select data confidential	✓
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	27	—	✓
Indirect Economic Impacts				
G4-DMA		24	—	✓
G4-EC7	Development and impact of infrastructure investments and services supported	27	—	✓
G4-EC8	Significant indirect economic impacts, including the extent of impacts	26	—	✓
Procurement Practices				
G4-DMA		24	—	✓
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	27	—	✓
CATEGORY: ENVIRONMENTAL				
Materials			Aspect did not meet threshold for materiality	
Energy				
G4-DMA		41	—	✓
G4-EN3	Energy consumption within the organization	102-103	—	✓
G4-EN4	Energy consumption outside of the organization	—	Not Reported – Data Not Available	
G4-EN5	Energy intensity	102	—	✓
G4-EN6	Reduction of energy consumption	102	—	✓
G4-EN7	Reductions in energy requirements of products and services	—	Not Applicable – No product	
Water				
G4-EN8	Total water withdrawal by source	www.ups.com/sustainabilityreport		✓
G4-EN9	Water sources significantly affected by withdrawal of water		Indicator did not meet threshold for materiality	
G4-EN10	Percentage and total volume of water recycled and reused		Indicator did not meet threshold for materiality	

Appendix F

G4 Indicator	Description	Page	Omission	External Assurance
Biodiversity			Aspect did not meet threshold for materiality	
Emissions				
G4-DMA		41	—	✓
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	88	—	✓ ₊
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	88	—	✓ ₊
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	88	—	✓ ₊
G4-EN18	Greenhouse gas (GHG) emissions intensity	88	—	✓ ₊
G4-EN19	Reduction of greenhouse gas (GHG) emissions	101	—	✓
G4-EN20	Emissions of ozone-depleting substances (ODS)		Indicator did not meet threshold for materiality	
G4-EN21	NO _x , SO _x , and other significant air emissions	55	—	✓
Effluents and Waste				
G4-EN22	Total water discharge by quality and destination		Indicator did not meet threshold for materiality	
G4-EN23	Total weight of waste by type and disposal method	www.ups.com/sustainabilityreport		✓
G4-EN24	Total number and volume of significant spills	www.ups.com/sustainabilityreport		✓
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally		Indicator did not meet threshold for materiality	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization’s discharges of water and runoff		Indicator did not meet threshold for materiality	
Products and Services			Aspect did not meet threshold for materiality	
Compliance				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	www.ups.com/sustainabilityreport		✓
Transport			Aspect did not meet threshold for materiality	
Overall			Aspect did not meet threshold for materiality	
Supplier Environmental Assessment				
G4-DMA		83	—	✓
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	83-84	Not Reported – Confidential	

Appendix F

G4 Indicator	Description	Page	Omission	External Assurance
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	83-84	Partially Reported – Quantitative data not available	✓
Environmental Grievance Mechanisms				
G4-DMA		58	—	✓
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	58	—	✓
CATEGORY: SOCIAL – LABOR PRACTICES AND DECENT WORK				
Employment				
G4-DMA		63-64	—	✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	61	Partially Reported – Select data not available	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	69-70	—	✓
G4-LA3	Return to work and retention rates after parental leave, by gender	70	Partially Reported – Select data not available	✓
Labor/Management Relations				
G4-DMA		65-66	—	✓
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	66	—	✓
Occupational Health & Safety				
G4-DMA		69	—	✓
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	66	—	✓
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	70	Partially Reported – Select data not available	✓
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	70	—	✓
G4-LA8	Health and safety topics covered in formal agreements with trade unions	66	—	✓
Training and Education				
G4-DMA		72	—	✓
G4-LA9	Average hours of training per year per employee by gender, and by employee category	73	—	✓

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G4 Indicator	Description	Page	Omission	External Assurance
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	73	—	✓
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	73	—	✓
Diversity and Equal Opportunity				
G4-DMA		67-68	—	✓
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	67-68	—	✓
Equal Remuneration for Women and Men				
G4-DMA		68	—	✓
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	68, 80	—	✓
Supplier Assessment for Labor Practices				
G4-DMA		83	—	✓
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	83-84	Not Reported – Confidential	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	83-84	Partially Reported – Quantitative data not available	✓
Labor Practices Grievance Mechanisms				
G4-DMA		65	—	✓
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	66	—	✓
CATEGORY: SOCIAL – HUMAN RIGHTS				
Investment			Aspect did not meet threshold for materiality	
Non-Discrimination			Aspect did not meet threshold for materiality	
Freedom of Association and Collective Bargaining				
G4-DMA		65-66	—	✓
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	65, 83	Partially Reported – Select data not available	✓
Child Labor			Aspect did not meet threshold for materiality	

Appendix F

G4 Indicator	Description	Page	Omission	External Assurance
Forced or Compulsory Labor			Aspect did not meet threshold for materiality	
Security Practices			Aspect did not meet threshold for materiality	
Indigenous Rights			Aspect did not meet threshold for materiality	
Assessment			Aspect did not meet threshold for materiality	
Supplier Human Rights Assessment				
G4-DMA		<u>83</u>	—	✓
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	<u>83-84</u>	Not Reported – Confidential	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	<u>83-84</u>	Partially Reported – Quantitative data not available	✓
Human Rights Grievance Mechanisms				
G4-DMA		<u>65</u>	—	✓
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	<u>66</u>	—	✓
CATEGORY: SOCIAL – SOCIETY				
Local Communities			Aspect did not meet threshold for materiality	
Anti-Corruption				
G4-DMA		<u>81</u>	—	✓
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<u>82</u>	—	✓
G4-S04	Communication and training on anti-corruption policies and procedures	<u>81</u>	Partially Reported – Select data not available	✓
G4-S05	Confirmed incidents of corruption and actions taken	<u>81</u>	—	✓
Public Policy				
G4-S06	Total value of political contributions by country and recipient/beneficiary	www.investors.ups.com (Semi-annual Political Contribution Reports provided)		✓
Anti-Competitive Behavior				
G4-DMA		<u>81</u>	—	✓

Appendix F

G4 Indicator	Description	Page	Omission	External Assurance
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	<u>81</u>	—	✓
Compliance				
G4-DMA		<u>81-82</u>	—	✓
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<u>82</u>	—	✓
Supplier Assessment for Impacts on Society			Aspect did not meet threshold for materiality	
Grievance Mechanisms for Impacts on Society			Aspect did not meet threshold for materiality	
CATEGORY: SOCIAL – PRODUCT RESPONSIBILITY				
Customer Health and Safety			Aspect did not meet threshold for materiality	
Product and Service Labeling			Aspect did not meet threshold for materiality	
Marketing Communication			Aspect did not meet threshold for materiality	
Customer Privacy				
G4-DMA		<u>28-30</u>	—	✓
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<u>28-30</u>	—	✓
Compliance			Aspect did not meet threshold for materiality	