

# Delivering the World.

SUSTAINABILITY AT UPS 2009



UPS links million of organizations and individuals together every day, by delivering a daily average of 15 million packages and documents in more than 200 countries and territories. By connecting our customers to one of the world's most fuel-efficient corporate logistics networks, we help reduce and mitigate their indirect carbon footprint. We also provide them with products, services, expertise and consulting support for greening their own supply chains.

With more than 100 years in business, we know that what's good for our customers and our communities is good for UPS and our people, so even in the challenging economy of 2009, we continued to find new ways to make the world more sustainable.

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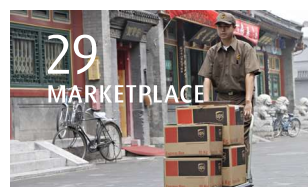
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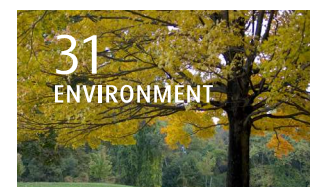
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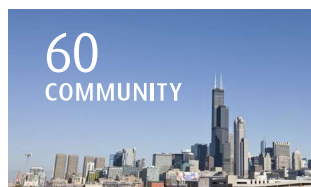


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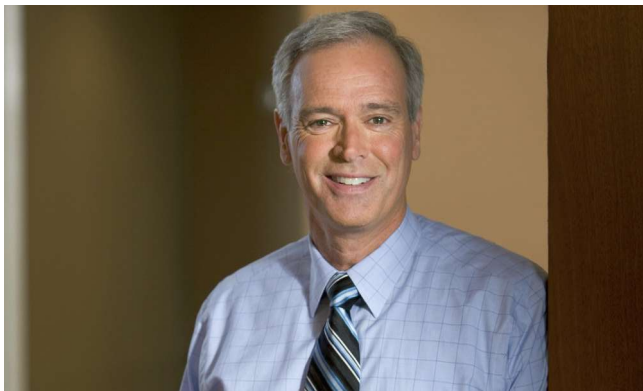
This UPS Sustainability Report covers the calendar year 2009, which corresponds to our fiscal year. UPS has issued a Corporate Sustainability Report every year since 2003. For all past reports, and for extensive additional material not included in this Report, please visit [ups.com/sustainability](http://ups.com/sustainability).

The Report begins with an overview of sustainability at UPS, including highlights from 2009. Our formal sustainability reporting, which begins on page 22, is prepared in accordance with the G3 guidelines of the Global Reporting Initiative (GRI), an independent institution that provides a standard framework for sustainability reporting across companies and industries. Formal sustainability reporting at UPS covers the full range of G3 topics in the order specified by GRI. We provide a G3 index to this Report's contents on page 64. The entire Report was prepared at the B level and we obtained an independent review by Deloitte and Touche LLP to achieve the level B+. As indicated by the icon to the right, GRI checked the Report and confirmed its adherence to the guidelines for B+ level reporting.

We invite readers to send comments or questions regarding this Report to:

UPS  
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Atlanta, GA 30328  
[pr@ups.com](mailto:pr@ups.com)





D. Scott Davis  
Chairman and CEO

In light of the global recession, 2009 proved to be one of the most difficult economic years in UPS's 103-year history. In response, we took the necessary steps to manage the business well, while focusing on the long-term sustainability of the company.

It would have been easy to respond to hard times with a heavy hand aimed solely at cutting costs and jobs. Instead, we were prudent and very conscious of the responsibilities that we had to our 408,000 employees, the thousands of communities where we operate, the customers we serve, and the shareholders who have invested in us.

Our decision-making was led by sustainability principles that have served us well for over a century—a balance of economic prosperity, social responsibility and environmental stewardship. This Report recounts the actions we took and the plans that we continue to pursue.

#### **FINANCIAL STRENGTH**

Even with the pressures of a severe recession, UPS maintained its outstanding financial position. In 2009, the company again generated superior free cash flow, producing \$4.1 billion. UPS also held its dividend to 2008 levels, marking 40 years of maintaining or increasing dividend payments.

This is especially important for our workforce because 43% of full-time employees are also shareholders. Nevertheless, we were forced to take some cost-cutting measures: freezing new hires and pay raises, lowering annual bonuses, and suspending retirement plan (401k) matches by the company. Some of these measures have continued into 2010, but will be reconsidered as the economy strengthens.

With an eye on the long term, we took advantage of our financial strength during the downturn to make strategic investments that support future global growth. These included expanding our largest international air hub in Louisville, Ky., continuing construction on an international air hub in Shenzhen China that opened in 2010, completing new facilities in Puerto Rico and the Netherlands that serve the specialized logistics needs of the healthcare sector, acquiring our service agent in Turkey and establishing a joint venture to serve the Middle East based in Dubai.

## GENEROUS CHARITABLE GIVING

In these challenging times, we recognized that social needs were even greater than normal. While delivering on their routes, our drivers around the world have seen the faces of business people and individuals deeply impacted by economic stress. Employees who volunteered were on the front lines serving the less fortunate, working in community food banks, at financially-strapped social service agencies, and shelters. Consequently, our support for community charities remained strong: US\$97.6 million in total charitable contributions. We are so proud of employees who continued to find ways to give back.

## ENVIRONMENTAL LEADERSHIP

This Report also recounts our strong commitment to environmental stewardship. Our contributions extend to effectively utilizing technology to optimize the miles we fly and drive; introducing more green products to help our customers streamline their logistics operations; leveraging all modes of transportation (particularly rail) to offer customers a fuel-efficient delivery network; and working with industry and environmental groups like the World Resources Institute to tackle shared challenges like bio-fuels in aviation and carbon mitigation. These efforts are detailed in this Report.

We also continue to push ourselves to be more accountable, and are using additional data to guide us to make new goals and targets. This Report introduces a new automotive goal, improving our miles per gallon performance by at least 20% between 2000 and 2020. We already have achieved half of our goal.

## TRANSPARENCY

As in previous years, we continue our pledge to be as transparent as possible about our environmental impact and to quantify how our efficiency and conservation initiatives are mitigating our energy use and emissions. Our industry-leading reporting practices in 2009 were recognized by the Carbon Disclosure Project, who added us to their Global Leadership Index. We are the only global transportation company on that Index.

We continue to challenge ourselves and our industry peers to offer more comprehensive carbon reporting so that shippers can more accurately report the environmental performance of their supply chains and to do so using globally accepted reporting standards.

## WHAT'S DIFFERENT ABOUT THIS REPORT

When you open this Report, please note that there are two major sections. We redesigned the Report in response to feedback from employees, customers and other stakeholders who were looking for different kinds of information.

The first section is designed to highlight our 2009 achievements and initiatives for a quick overview. The second section is designed for readers who are interested in the granular details of our activities that are more technical and quantitative.

For the first time, the Report has been assured by Deloitte & Touche LLP and GRI checked. This too is part of our commitment to provide a credible transparent report.

## LOOKING AHEAD

We believe that 2010 will be the turning point for a steady but slow economic recovery. This situation is nothing new for us...we have endured 21 recessions and 1 depression during our 103 year history. Yet, our strategy for recovery remains the same: focus on our customers and employees, growth, remain competitive and operate responsibly. Our commitment remains consistent as we "Deliver the World."



D. Scott Davis  
Chairman and CEO

July 26, 2010

# 2009 Highlights

During 2009, UPS fought through the global recession and its aftermath—right along with our millions of customers around the world. Like many of them, we kept our commitment to sustainability despite difficult market conditions.

We continued to invest in better service, new green products, and a more environmentally efficient network to serve our growing number of customers around the world. We also continued to drive positive change in our industry, develop our people, and donate extraordinary amounts of time and money to our communities.

You can read about all these commitments and how we fulfill them in our formal reporting beginning on page 22.

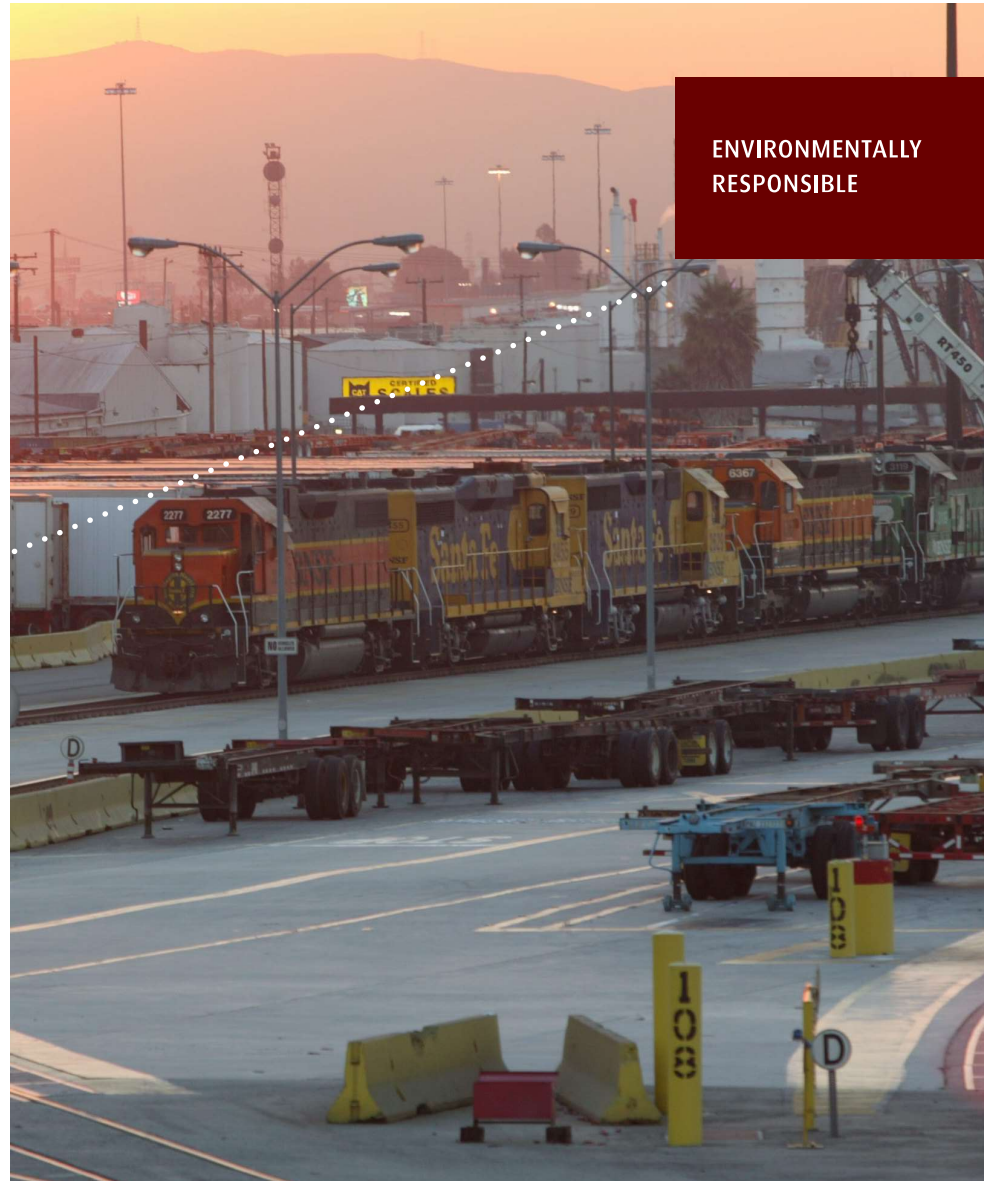
In the next pages you will find stories about exciting innovations, breakthroughs and trends that defined sustainability at UPS in 2009.



ENVIRONMENTALLY  
AWARE

### DELIVERING FOR THE ENVIRONMENT

UPS serves a rapidly growing number of customers who care about the environment—and not just in their own operations. They want their suppliers and business partners to reduce resource consumption, increase efficiency, and still deliver great results.



ENVIRONMENTALLY  
RESPONSIBLE

UPS connects customers to one of the most extensive and fuel-efficient logistics networks. We keep optimizing how many miles we drive, how much fuel, water and paper we use—even how much noise our airplanes make. And we're steadily building our portfolio of green products and services to help our customers make their own operations more environmentally responsible.

# UPS Delivers Carbon Neutral Shipping

UPS customers now can purchase certified carbon offsets to help mitigate the climate impact of their shipping

UPS is the first small package carrier to offer its customers the ability to offset the carbon dioxide emissions generated by the transport of their packages within the United States. Customers can purchase carbon offsets for orders placed on the internet, and higher-volume shippers can contract for their deliveries to be offset according to their own particular shipping patterns.



Bringing this offering to market started with our expertise, data and methodologies for precise carbon calculations related to shipping. We also leveraged our ability to accurately calculate the carbon associated with our customers' shipping activities—no matter how big or small. To offset customer carbon, we conducted extensive research and decided to focus on high-quality, geographically appropriate CO<sub>2</sub> offset

projects such as wastewater treatment, reforestation, methane destruction and landfill gas destruction.

Next we engaged two world-renowned independent third-party organizations to assure customers of our choices. Our carbon neutral shipping service is verified by Société Générale de Surveillance (SGS), an independent inspection, testing and verification company. Additionally, the UPS carbon neutral process is certified by The CarbonNeutral Company.

Finally, to give customers an extra incentive to embrace carbon neutral shipping, we announced that UPS will match the first US\$1 million of offsets purchased for our customers' UPS carbon neutral transactions. In 2010, we expanded carbon neutral shipping

internationally and to more shipping systems, so that millions more customers can take advantage of this opportunity to make their own business more environmentally responsible.

-  For complete information on UPS carbon neutral, please visit [ups.com/Carbonneutral](http://ups.com/Carbonneutral).
-  To see the GRI-G3 reporting on Environment visit page 31.



Only 5 cents to offset the carbon of a single ground package in the U.S.



Up to US\$1 million toward matching carbon offsets.





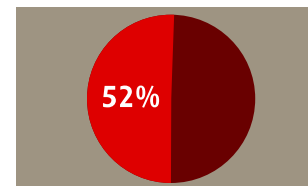
### DELIVERING FOCUSED SOLUTIONS

Healthcare experts around the world share information on best practices, their most effective treatments, and how to add new drugs to the tools and techniques they use already. But they can't connect treatment options with patient needs if they can't get the medicine they need, quickly, safely and efficiently.

UPS has fine tuned its logistics infrastructure to support the healthcare industry in everything from developing and testing new remedies to delivering prescriptions directly to doctors and patients. Specialized invoicing systems, facilities and vehicles help drug companies, medical device companies and healthcare providers meet patient needs better than ever.

# Healing the Healthcare Supply Chain

UPS is delivering new solutions for healthcare supply chain challenges



Percentage of large healthcare companies that have near-term plans for direct distribution to consumers (2009 *Pain in the (Supply) Chain Survey*).



0% of large pharmaceutical companies surveyed have everything in place to meet serialization requirements for direct distribution (2009 *Pain in the (Supply) Chain Survey*).

## NEW RESOURCES FOR HEALTHCARE

An aging population is putting pressure on healthcare systems around the world. Most observers agree that the healthcare industry must become more efficient at every level—including the development and delivery of new therapies. In 2009, we expanded our support for the healthcare industry with two new state-of-the-art facilities in San Juan, Puerto Rico and Roermond, the Netherlands. These facilities add nearly 400,000 square feet of dedicated space to our existing infrastructure for healthcare customers.

Specialized facilities are vital to the healthcare industry, because speed alone is not enough when drugs and medical devices are shipped to hospitals, doctors and patients. Both end users and regula-

tory authorities want strict temperature control, chain of custody and other controls to ensure quality and reliability of every delivery.

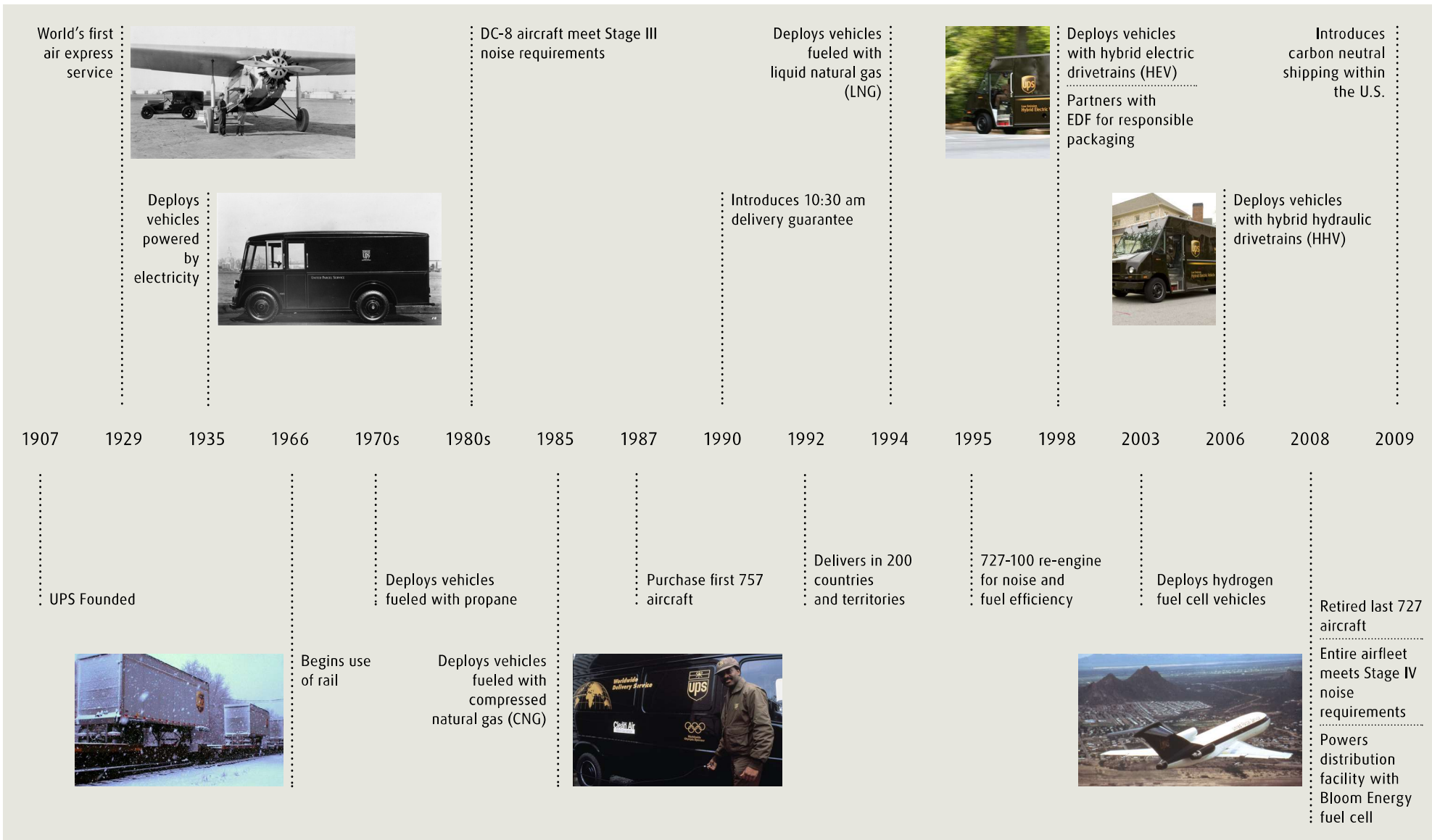
## INTELLIGENT DESIGN AND EXECUTION

We chose the locations of the new facilities to be near major clusters of pharmaceutical, biotech and medical device companies, so that these businesses can more efficiently distribute new products to their customers and consumers around the world. We also designed and built the new buildings up as multi-client facilities. This means that each customer has the necessary privacy as well as significant flexibility in how they integrate our logistics and delivery expertise into their own supply chains—yet they all benefit from the cost efficiency of a shared facility.

UPS's healthcare facility footprint has doubled in the last four years, signaling a surge in growth of customer needs. We now have 25 fully compliant healthcare facilities around the world, totaling more than 3.5 million square feet.

For more information on UPS healthcare solutions please visit [ups.com/healthcare](http://ups.com/healthcare).

For information on UPS's "Pain in the Chain" survey of healthcare companies visit [pressroom.ups.com/healthcare](http://pressroom.ups.com/healthcare).



### DELIVERING INNOVATION FOR DECADES

UPS has long been an innovative pioneer in the logistics and transport industry. Throughout our history we have strategically planned, developed and implemented new services, state-of-the-art technologies and modal shift capabilities—in many cases well before others and at a scale far beyond what others have undertaken.

This leadership results in efficiencies and capabilities that have provided and will continue to provide a wide range of benefits to our customers, our communities and the environment.

# Driving Change in Transport and Logistics

UPS continued to play a leadership role in its sector in 2009



1,883 vehicles in the UPS alternative vehicle fleet

**+28.9%**

Increase in fuel economy for UPS hybrid diesel electric delivery vehicles compared to conventional vehicles

## ALTERNATIVE FUEL VEHICLES.

UPS has long been a leader in vehicles using alternative fuels and technologies, beginning with the use of electric vehicles in the 1930s. In 2009, we placed into service 245 new vehicles running on compressed natural gas (CNG) and released performance results for innovative hybrid vehicles we introduced in 2008. The new CNG deployment expands our alternative fleet to 1,883 vehicles operating in North America, South America, Europe and Asia.

A 12-month study of our hybrid diesel electric delivery vehicles by the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) found that they improved on-road fuel economy by 28.9 percent. The hybrid drive system, developed by Eaton Corp.

for UPS, also delivered performance and reliability equal to conventional engines.

## AIRLINE BIO-FUELS.

In 2009, we introduced an ambitious goal to reduce our airline emissions, including the use of bio-fuels that offer the potential of lower emissions per available ton mile we fly. (For details on this goal, see page 42). To stimulate market demand for jet engine bio-fuels, which are not commercially available today, we signed a memorandum of understanding with two potential fuel developers that states our willingness to use their fuels in the future. The memorandum was promoted by the Air Transport Association of America, Inc. (ATA) and signed by ten other ATA members as well.

## AIRCRAFT NOISE REDUCTION.

Engine noise is often overlooked as an environmental impact of air transport, an issue UPS began addressing in the 1980's. UPS has been demonstrating a way to reduce noise during airport approaches, when jets are close to the ground and typically use their engines to adjust altitude. The alternative, called continuous descent approach (CDA), empowers pilots to glide to the ground and reduce engine noise. In 2009, UPS Airlines began discussions with European airport authorities to expand the benefits of CDA in the region.



For more information on UPS environmental initiatives please visit [ups.com/environment](http://ups.com/environment).



For more information on UPS Airlines and the UPS alternative vehicle fleet, see p. 39 and 42 of this Report. For more information on UPS public policy advocacy, see page 61 of this Report.

ENVIRONMENTAL  
CLEAN-UP LEADER

COMMUNITY  
ORGANIZER

FUND-RAISING  
CHAIRPERSON

TASK FORCE  
ADVISOR



## DELIVERING FOR THE COMMUNITY

The people of UPS have created a corporate culture that gives back in the forms that society needs most: time, skills and money. The millions of volunteer hours they donated to community non-profit organizations in the past decade helped children, the disabled and the elderly while advancing numerous causes ranging from global literacy and diversity to safer driving and environmental stewardship.

# Continuing to Give Back

Pull back in a recession?  
Not UPS volunteers.



Total charitable contributions  
in 2009



Surpassed 1.2 million volunteer  
hours donated by UPS employees  
and their families in 2009

There's no doubt that 2009 was a challenging year for UPS and its employees. Yet for community and charitable organizations in over 50 countries, UPS and its people still came through. The proof includes \$97.6 million in total charitable contributions and more than 1.2 million volunteer hours donated by UPS employees and their families. Total charitable contributions includes donations by The UPS Foundation, donations by employees and in-kind giving.

UPS volunteer hours were matched with generous financial support. Our employees and retirees contributed financial support for the company's United Way campaign totaling \$53.2 million, the second highest corporate contribution in the nation after eight straight years as the top contributor.


As part of its \$43.6 million in global philanthropy, The UPS Foundation provided an \$8 million donation to United Way to match employee contributions.

While Foundation philanthropy declined compared to 2008, it actually rose as a percentage of UPS income, which is the source for Foundation funding. In other words, we found ways to maintain strong support for communities and the environment even in the most difficult year we ever faced as a public company.

One of the ways we make our charitable dollars and employee volunteer hours go farther is to combine them. Approximately 50% of Foundation grants go to local agencies where UPS employees volunteer. This ensures that we support deserving organizations, and that the

organizations receiving our financial support are putting it to good use in their communities. Furthermore, our volunteers bring the kind of skills that non-profit organizations need most: financial and business management, expertise in logistics and efficiency, and broad experience in how to recruit, train and motivate teams of people.

 For complete information on philanthropy and volunteerism at UPS, visit [ups.com/responsibility](http://ups.com/responsibility).

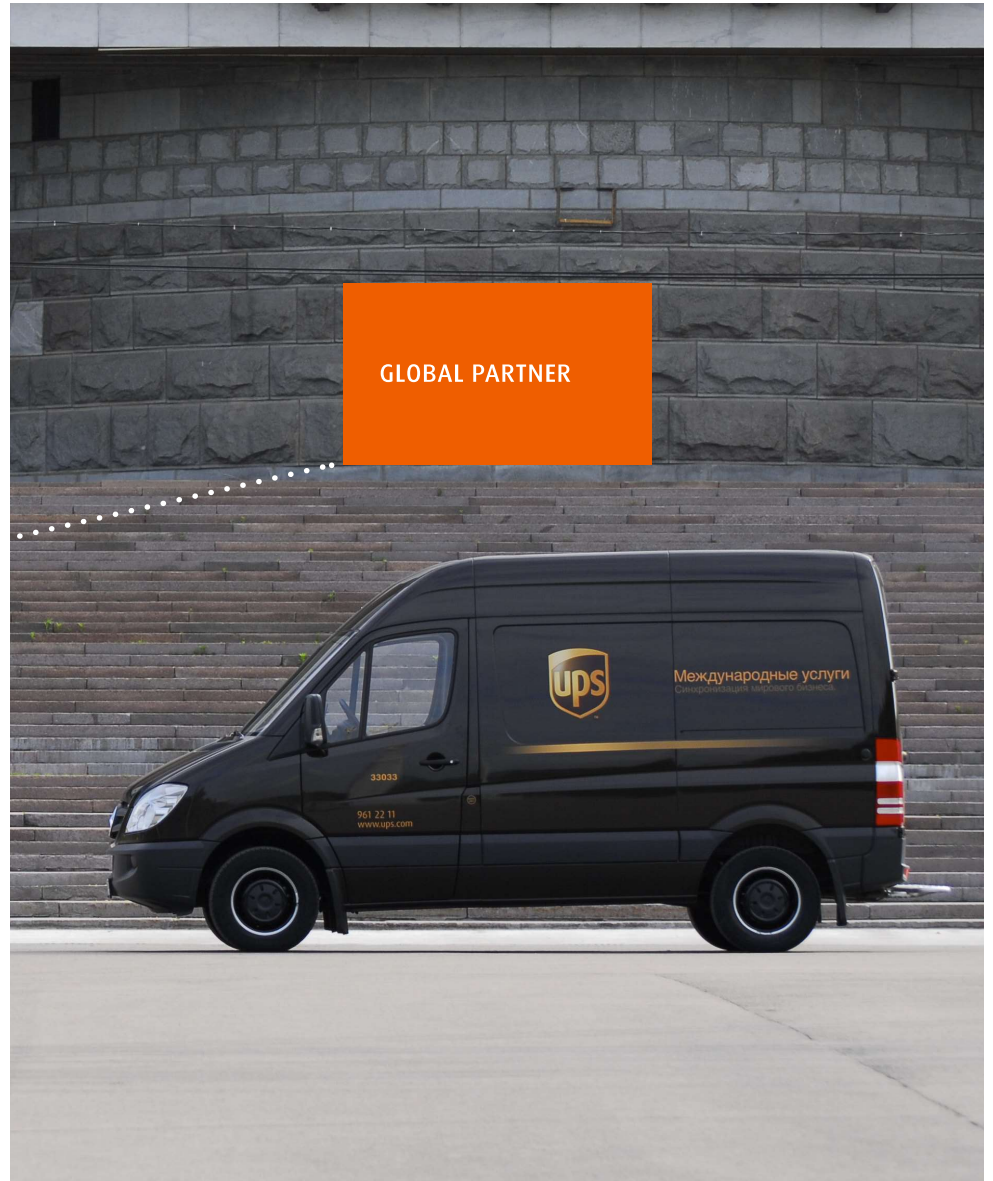
 For more information in this Report on community engagement at UPS, see page 60.



GLOBAL  
OPPORTUNITY

### DELIVERING A GLOBAL MARKETPLACE

Throughout the world, small businesses are often a wellspring of economic development: creating sustainable jobs and markets for an increasingly urban world population. Yet small businesses in many countries struggle with limited infrastructure and the complexities of international export as they try to participate in the global economy.



GLOBAL PARTNER

UPS supports small businesses worldwide in many ways. We make export processes simpler and access to government-guaranteed loan programs easier, so more of our customers can compete in world markets. We seek small and diverse suppliers around the world, creating business opportunities wherever we go. Through the UPS Foundation, we fund highly regarded micro-lending organizations bringing the dream of entrepreneurship within reach to thousands.

# Respecting Human Rights

A Human Rights statement is now part of the UPS Code of Business Conduct, Policy Book and Training

200+

Countries and territories where UPS operates



68,000 people employed at UPS outside the U.S.

In 2009, we amended our Code of Business Conduct to include a new section specifically recognizing the United Nations' Global Compact principles for respecting and protecting human rights. Basic human rights include acknowledgement of equality among people, employee well-being and security, personal freedom from persecution, and economic, social and cultural freedom.

Respect for basic human rights has always been the foundation of our Code of Business Conduct. But because we hadn't used the term broadly and specifically, we set an objective in 2008 to adopt and implement a human rights statement in 2009. Because respect for human rights should be both universal and universally supported, we decided to incorporate the human rights

statement into our Code of Business Conduct. We communicate it to employees in that context, because we already require all employees and representatives of UPS to adhere to the Code. In addition, we added new human rights language to the UPS Policy Book. In 2009, we began including human rights compliance language to our contracts with suppliers outside the U.S.; and we are conducting onsite audits. UPS ethics and compliance training is mandatory for all managers.



For complete information on corporate governance at UPS, visit [investors.ups.com](http://investors.ups.com).



For more information in this Report on labor practices at UPS, see page 59.

## AN EXCERPT FROM THE HUMAN RIGHTS LANGUAGE ADDED TO THE UPS CODE OF BUSINESS CONDUCT IN 2009:

*As a global company, UPS recognizes that it plays a role in acknowledging basic human rights in accordance with our high standards for the treatment of our people.*

*Basic human rights address areas such as equality among people, employee well-being and security, personal freedom from persecution, and economic, social and cultural freedom. Human rights principles have been generally defined by the United Nations, which has created a Global Compact to address these rights.*

*While the values underlying the U.N. Global Compact's Human Rights Principles are found throughout this Code, the company believes that the concept of basic human rights should be specifically recognized, and as a result, supports the U.N. Global Compact's Human Rights Principles.*





MANY WAYS TO  
GET THERE

### DELIVERING TRANSPORT EFFICIENCY

There are countless ways to get a shipment from one point to another: cars, trucks, planes, trains and ships all have a role to play. Customers also want choices about price, speed and environmental impact. And everything needs to get to its destination securely, using the minimum amount of natural resources.



ONE EFFICIENT  
NETWORK

UPS has developed a range of advanced capabilities for optimizing delivery routes, such as the ability to nimbly shift packages between transport modes. By optimizing routes, we keep our service commitments to customers while conserving fuel and minimizing emissions on their behalf. We have fine-tuned our approach to routing packages so completely that our drivers can now minimize starts, stops, turns and idling every time they hit the streets.

# Sharing Expertise in Fuel Efficiency

UPS has mastered the art and science of avoiding unnecessary driving, and we're helping our customers do the same.



1.9 million metric tonnes of carbon emissions avoided



1.1 billion miles not driven since 2006 by customers using products from UPS Logistics Technologies

One of our primary carbon reduction strategies at UPS is to minimize the miles we drive and minutes our vehicles spend idling, so that we maximize the number of pickups and deliveries with every gallon of fuel we use. Over the years we have developed software, methodologies, training programs and other capabilities that help us get the maximum value from the fuel we use every day, on every route, all around the world.

We also help other companies do the same, using transportation management solutions provided by UPS Logistics Technologies. This business unit has adapted UPS proprietary software into ten products for different applications, and licensed them to approximately 1,200 companies around the world that operate ground fleets for delivery

or service. The products include optimized route planning, real-time wireless dispatch utilizing GPS, strategic territory planning, web-based reporting and more. This set of tools enables businesses to identify their most efficient route plans and territories, track them in real-time, and identify opportunities to improve.


Companies have been using UPS Logistics Technologies products since 2006, and in 2009 the estimated total of miles not driven was 1.1 billion. This total translates into 1.9 million metric tonnes of carbon avoidance and cost savings on 186 million gallons of fuel. On top of these environmental and financial benefits, UPS Logistics Technologies customers report improvements in response times on service and delivery calls, more efficient use of drivers and

maintenance resources, increased competitiveness, and greater ability to target opportunities for growth.

 For complete information on UPS Logistics Technologies, visit [upslogisticstech.com](http://upslogisticstech.com).

 For more information in this Report on ground fleet efficiency at UPS, see page 39.

# 2009 Recognition

 This page presents highlights of external recognition for sustainability at UPS in 2009. A complete list is available online at [pressroom.ups.com](http://pressroom.ups.com).

## Sustainability

### CARBON DISCLOSURE PROJECT



UPS was the only company in its industry to be named to the Carbon Disclosure Leadership Index (CDLI), placing among the top 50 companies in the world.



### FTSE4Good

UPS was selected for the FTSE4Good Index.



In *Fortune* magazine's ranking of Most Admired Companies, UPS was No. 1 in the Delivery industry for Social Responsibility, and placed among the top 30 companies overall.



UPS was included on the Ethisphere Institute list of World's Most Ethical Companies.



UPS received the 2009 Community Service Award from the U.S. Chamber of Commerce.

## Environment, Workplace, Community

ORGANIZATION	RECOGNITION FOR UPS
Carbon Disclosure Project	Carbon Disclosure Leadership Index (CDLI)
<i>Newsweek</i> magazine	Global Green 100
Climate Counts Scorecard	Rated No. 1 for consumer shipping
U.S. EPA	SmartWay Excellence Award
Women's Business Enterprise National Council	America's Top Corporations for Women's Business Enterprises
<i>Hispanic Business</i> magazine	Top 60 Diversity Elite
<i>Black Enterprise</i> magazine	Best Companies for Diversity
Human Rights Campaign	Perfect score on the 2009 Corporate Equality Index
President's Council on Service and Civic Participation in the U.S.	Presidential Gold Level Volunteer Service Award
CARE	Champions of Philanthropy Award
National Safety Council	President's Award for Community

# 2009 Achievements



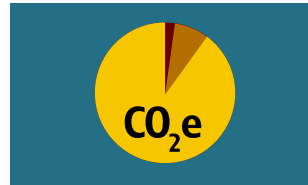
Set a goal to reduce UPS Airline CO<sub>2</sub> emissions intensity 20% by 2020.



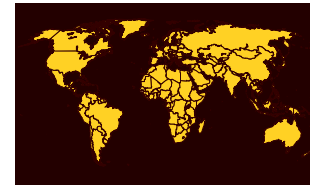
Became the first small package carrier to offer a carbon neutral service for deliveries within the United States.



Adopted a Human Rights Statement and incorporated it into the Code of Business Conduct, Policy Book and training.



Measured CO<sub>2</sub>e for Scopes 1 and 2 in addition to CO<sub>2</sub> reporting for Scopes 1, 2 and 3.



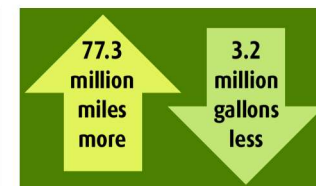
Implemented an enterprise-wide data acquisition and analysis IT system for emissions and sustainability reporting.



Entered into a robust third-party assurance process for external sustainability reporting.

# Continuing Commitment to Improved Fuel Economy.

After a decade of increasing fuel economy in its U.S. ground delivery fleet, UPS has set a goal for even higher MPG by 2020.



miles driven and fuel consumed by UPS U.S. Domestic Package segment delivery vehicles in 2009 compared to 2000

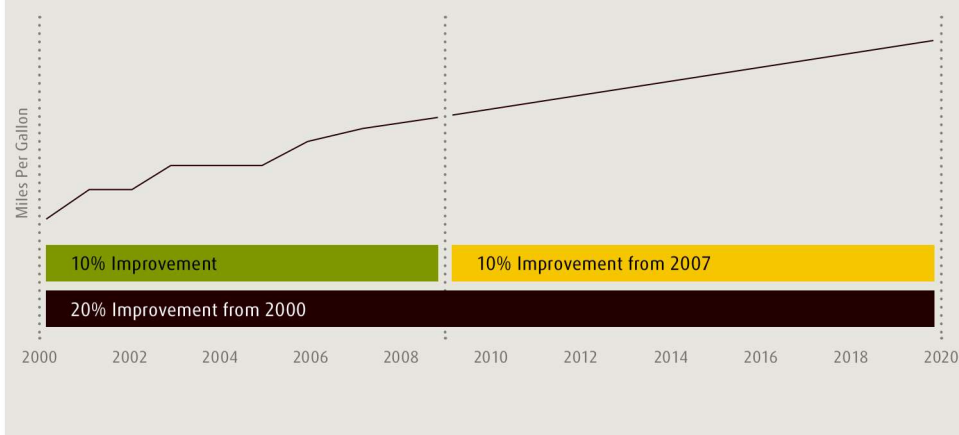
Everyone wants to get more miles per gallon when they drive. The difference at UPS is that we work hard at it every day—and our success gets multiplied over tens of thousands of vehicles on a daily basis. We rigorously measure and manage dozens of factors that affect fuel efficiency: from which vehicles we use to how we maintain them, route them, load them and drive them.

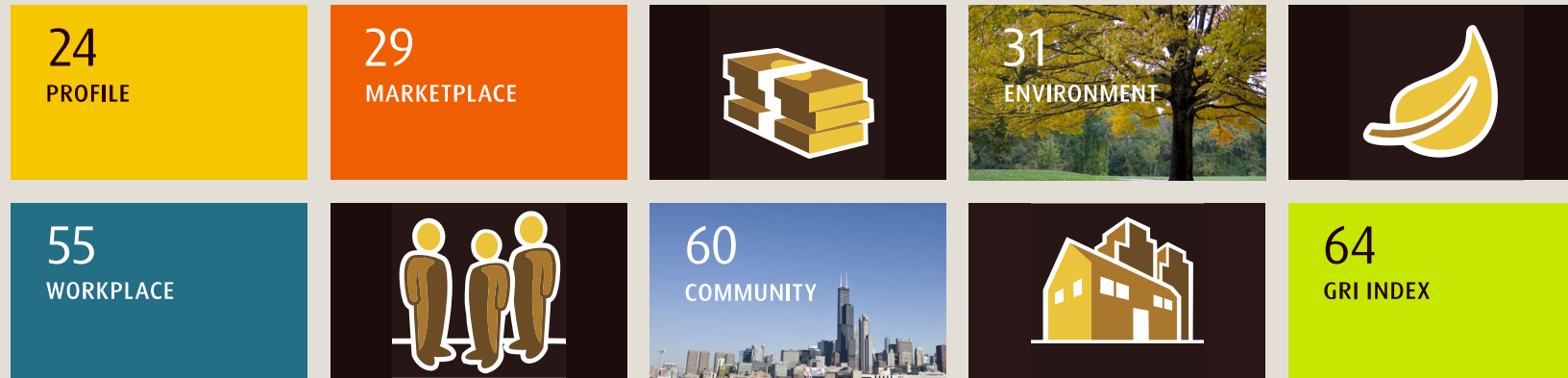
Our comprehensive approach to fuel economy and our use of advanced technology and training methods has gotten results. Over the ten-year period that ended in 2009, we increased the miles per gallon (MPG) of the delivery vehicles in our U.S. Domestic Package segment by 10%. To understand how this improvement gets multiplied across approximately 60,000 vehicles, consider that in 2009, our drivers logged

77.3 million miles more than they did in 2000—yet our fuel consumption was lower by 3.2 million gallons (gasoline & diesel.) If we had simply been content to keep driving the same fleet with the same MPG that we had in 2000, our 2009 carbon footprint would have been larger by 30,400 metric tonnes of carbon dioxide (CO<sub>2</sub>)—or the equivalent of 5,813 passenger vehicles.

And we're still not satisfied. Now we've set a new goal for our U.S. Domestic Package segment: we intend to push fuel economy up an additional 9%+ from 2009, which will equate to a 20% improvement by 2020 from the 2000 baseline. We believe this will raise the bar for the entire small package sector—and help keep more greenhouse gases out of our atmosphere.

## Miles per gallon goal (20% improvement through 2020)





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**FORMAL SUSTAINABILITY REPORTING AT UPS**

This Report covers the calendar year 2009, which corresponds to our fiscal year. UPS has issued a Corporate Sustainability Report every year since 2003. For all past reports, and for extensive additional material not included in this Report, please visit [ups.com/sustainability](http://ups.com/sustainability).

This section of the Report presents our formal sustainability reporting for 2009. The information provided here is prepared in accordance with the G3 guidelines of the Global Reporting Initiative (GRI), an independent institution that provides a standard framework for sustainability reporting across companies and industries. UPS's formal sustainability reporting for 2009 covers the full range of G3 topics in the order specified by GRI (see table of contents at left). Please note that the full Report includes an overview of sustainability at UPS, which precedes this section. We provide a G3 index to this Report's contents on page 64. The entire Report was prepared at the B level and we obtained an independent review by Deloitte and Touche LLP to achieve the level B+. As indicated by the icon to the right, GRI checked the Report and confirmed its adherence to the guidelines for B+ level reporting.

We invite readers to send comments or questions regarding this Report to:

UPS  
 Attention: Rebecca Treacy-Lenda  
 55 Glenlake Parkway, N.E.  
 Atlanta, GA 30328  
[pr@ups.com](mailto:pr@ups.com)

# Independent Accountants' Review Report

Board of Directors, Shareowners,  
and Stakeholders

United Parcel Service, Inc.  
Atlanta, Georgia

We have reviewed the 2009 UPS Corporate Sustainability Report of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2009. This report is the responsibility of the Company's management.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review consists principally of applying analytical procedures, considering management assumptions, methods, and findings, and making inquiries of persons responsible for 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 presentation. Accordingly, we do not express such an opinion. A review of the sustainability report is not intended

to provide assurance on the entity's compliance with laws or regulations.

The preparation of the 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 sustainability report includes information regarding the Company's 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 such sustainability report does not include, in all material respects, the required elements of the Global Reporting Initiative G3 Guidelines, for Application Level B

sustainability reports; that the 2009 amounts 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 were not reviewed by us and, accordingly, we do not express any form of assurance on them.

*DeBittu & Toude LLP*

July 9, 2010  
Detroit, Michigan

# Profile

UPS is the world's largest package delivery company and a leader in supply chain and freight services, with an annual volume of 3.8 billion packages across more than 200 countries and territories. We are also a global leader in logistics, and a U.S. leader in the less-than-truckload segment of the freight industry. In 2009, we employed more than 408,000 people, including approximately 68,000 outside the U.S.; paid more than U.S.\$2.6 billion in taxes; and made U.S.\$43.6 million in philanthropic grants. On top of that, UPS employees and retirees donated U.S.\$53.2 million to United Way in 2009, and our workers and their families donated a total of 1.2 million hours of volunteer work to their communities.

## Strategy and Analysis

Our business strategy and corporate responsibility strategy are substantially the same: to increase the economic vitality and environmental sustainability of the global economy by aggregating the shipping activity of millions of businesses and individuals worldwide into a single, highly efficient logistics network. This approach:

- benefits UPS by ensuring strong demand for our products and services;

- benefits the economy by making global supply chains more efficient and less expensive and provides small businesses with access to global markets;
- benefits the environment by reducing the carbon intensity of global shipping activity and enabling UPS to leverage its own carbon efficiency improvements into the supply chains of all its customers; and
- benefits our employees and society by ensuring stable employment and the ability to maintain our culture of giving back through philanthropy and volunteer work.

### **CORRELATION OF ENVIRONMENTAL IMPACT WITH ECONOMIC GROWTH.**

The nature of our business is moving goods and documents for other companies more efficiently than they could do it themselves. This in turn enables millions of businesses around the world to avoid operating costs, energy consumption and emissions generation. To help create this large-scale economic and environmental benefit, we use more than 95,000 ground vehicles, more than 200 aircraft, and the services of many other transportation companies. As a result, our direct and indirect consumption of fossil fuels and emission of greenhouse gases are strongly correlated to global economic activity: when

demand rises or falls for the environmental efficiencies we provide to others, we respond by expanding or contracting our transport activity as efficiently as possible.

We strive continually to reduce the strength of this correlation, so that our energy costs (and associated impacts on our profits and the global environment) do not rise in line with our shipping volume. We take a similar approach with water and other natural resources our business consumes. The success of this approach was apparent during the challenging economic conditions of the past two years: we reduced our carbon impact and water use by more than the reduction in our business volume.

### **IMPACT OF INTERNATIONAL EXPANSION ON ENVIRONMENTAL SUSTAINABILITY.**

In the past 30 years, we have expanded our business internationally to a considerable extent. While this brings a broad range of economic and societal benefits to UPS and its customers, it has also increased our indirect carbon footprint to a greater degree than our direct footprint, particularly with regard to Scope 3 emissions. This is in part because in many regions of the developing world, we are more reliant on contractors and suppliers than we are in the U.S.

Our strategy in this regard is to integrate new operations into our logistics network as quickly and completely as we can, consistent with respect for local people, communities, laws and customs. Overall, we believe that the impact of our international expansion is a net positive for the environment. Among other things, we often acquire existing businesses and reduce their carbon intensity rather than create new sources of fuel use or emissions.

### **SUSTAINABILITY TRENDS, RISKS AND OPPORTUNITIES.**

We see both risks and opportunities from global sustainability trends. Risks include the following:

- Regulatory risk, particularly related to the imposition of carbon taxes, cap-and-trade systems for carbon emissions, and other forms of regulation that we are not subject to now.
- Physical risk, particularly related to extreme weather or climate events that may disrupt commerce and impact revenue.
- Energy risk, particularly related to the cost and availability of fuel for our air and ground fleets.
- Reputational risk, particularly related to customer perceptions of UPS as a significant user of fossil fuel.

## Board of Directors

(Current in 2010)

- F. Duane Ackerman
- Michael J. Burns
- D. Scott Davis
- Stuart E. Eizenstat
- Michael L. Eskew
- William R. Johnson
- Ann M. Livermore
- Rudy Markham
- John W. Thompson
- Carol B. Tomé



Committee charters are online at [investors.ups.com](http://investors.ups.com).



However, we also see substantial opportunities from increased demand for products and services that help companies mitigate their carbon impact and improve the efficiency and responsibility of their supply chains. We believe that data-rich, efficiency-oriented companies that are committed to transparency will have a competitive advantage in meeting these demands. The specific opportunities we anticipate include but are not limited to the following:

- Competitive opportunities, particularly related to increased customer demand for more efficient logistics services, carbon neutral offerings, responsible packaging, and other capabilities that UPS already possesses and continues to develop.
- Regulatory opportunities, particularly related to cap-and-trade systems which may favor transport companies with leading-edge operating efficiency.

Further discussion of our environmental impacts, risks and opportunities are included in “Environment” on page 53. Tables and charts highlighting our performance in 2009 are provided throughout this Report and summarized together in “Management Approach and Performance Indicators” on page 27.



Complete information on UPS’s business, strategy and performance can be found on our investor website at [investors.ups.com](http://investors.ups.com).

## Organizational Profile

Although our primary business is the time-definite delivery of packages and documents, we have extended our capabilities in recent years to encompass the broader spectrum of services known as supply chain solutions, such as freight forwarding, customs brokerage, fulfillment, returns, financial transactions and even repairs. We are also a leading provider of less-than-truckload transportation services. Following is a table that provides a statistical profile of UPS in 2009. Substantial additional information on our organization by business function, region and financial performance is available in our Annual Report and at [investors.ups.com](http://investors.ups.com).

## Report Parameters

### TIME.

This Report presents data for 2009, accompanied by prior-year results or multi-year results for context. In particular, our charts of Key Performance Indicators (KPIs) provide data for up to five previous years. A summary table of KPIs is provided on page 28.

### SCOPE.

We provide information on our environmental and social performance from a number of different perspectives that we believe are useful to our stakeholders:

- We provide comprehensive enterprise data on fuel use and emissions for our entire global operations, including both direct and indirect (Scope 1, 2 and 3)

emissions sources, to the extent of our report scope and boundary as disclosed in the “Environment” section of this Report.

- We break out fuel, emissions and other data for our U.S. Domestic Package segment because it is by far our largest business segment.
- We break out data for our Supply Chain and Freight segment, which is our fastest-growing business segment.
- We break out data for UPS Airlines because it is the largest single source of greenhouse gas emissions in our global logistics network and it is our most energy intensive mode of transport.
- We provide compliance data that relate to U.S. law and regulation.
- We report employment and philanthropic data on a global basis, except for United Way contributions which are made in the U.S. and Canada only.

### MATERIALITY.

We employ a number of processes to determine materiality, priority of topics and stakeholder audiences for this report. The primary processes include:

- extensive communication with independent, non-governmental organizations that evaluate sustainability reporting by UPS and many other companies;
- internal benchmarking of other companies that publish sustainability Reports, both inside and outside our industry;

## UPS Facts

Headquarters	Atlanta, GA
Founded	1907
Employees	408,000 (U.S. 340,000; International 68,000)
Customers	7.9 million
Daily Online Tracking Requests	22.4 million
Worldwide Operating Facilities	2,880
Retail Access	62,000
Delivery Fleet	101,900 package cars, vans, tractors, motorcycles, including 1,883 alternative fuel vehicles
UPS jet aircraft	210 in service
2009 Packages Delivered	3.8 billion

### UPS SUPPLY CHAIN SERVICES

2009 net revenue	\$7.4 billion
Key services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding; international trade management and customs brokerage
Facilities	852 facilities in more than 120 countries

### UPS FREIGHT

Key services	Leading provider of less-than-truckload and truckload services coast-to-coast
Delivery Fleet	6,541 tractors, 22,010 trailers
Facilities	202 service centers

as of 12/31/2009

- gap analysis using GRI-G3 guidelines and external feedback regarding our prior sustainability reporting; and
- analysis of the results of the above processes by members of the UPS Sustainability Working Committee and Sustainability Steering Committee, which reports to the Management Committee.

Further discussion of our stakeholder engagement program is provided in “Stakeholder Engagement” on this page.

## Governance

### BOARD OF DIRECTORS.

The top governance body at UPS is the Board of Directors. Eight of the 10 members are independent, as defined below. Director D. Scott Davis is Chairman of the Board and chief executive officer (CEO) of UPS. The remaining director, Michael L. Eskew, is a non-executive member in his capacity as former chairman and CEO of UPS. Mr. Davis and Mr. Eskew comprise the Executive Committee of the Board. The other three committees are made up of independent directors.

### INDEPENDENT DIRECTORS.

We define an “independent” director as one whom the Board has determined has no material relationship, other than as a director of the company, with the company or any of its consolidated subsidiaries. The independent directors meet regularly without management directors present. In addition, our corporate compliance officer reports directly to the

Audit Committee, which is composed entirely of independent directors.

### COMPENSATION AND PERFORMANCE.

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.

### MANAGEMENT COMMITTEE.

The UPS Management Committee includes 12 senior managers of the company, representing all major operational and administrative groups within UPS. The Management Committee supports the Board of Directors in executing UPS strategy. The only member of the Management Committee to sit on the Board of Directors is the CEO.

### GOVERNANCE PRINCIPLES AND GUIDELINES.

Corporate governance at UPS is based on long-held principles and explicit guidelines. In very brief form, our governance principles are as follows:

- We operate our business for a balance of economic prosperity, social responsibility, and environmental stewardship.
- We manage assets wisely, and emphasize the long term in strategy and decision-making.
- We believe that enabling our customers to succeed and grow is central to the success of UPS.
- We encourage ownership of our company by our employees.
- We help our employees develop themselves and place great value on diversity.

Governance guidelines include our Code of Business Conduct. In 2009, we updated the Code to include a statement supporting the U.N. Global Compact on Human Rights (see page 16 of this Report or visit [pressroom.ups.com](http://pressroom.ups.com)). Extensive information on our governance guidelines is available online at [investors.ups.com](http://investors.ups.com).

### GOVERNANCE PROCESSES.

Corporate governance at UPS is assured by a set of robust and interrelated processes, including internal monitoring of their effectiveness. For example, we conduct regular reviews of our regulatory compliance activities and annually certify and report on our compliance activities. In 2009, approximately 44,000 UPS full time management employees received training on our updated Code of Business Conduct. Our 24-hour employee “Help Line,” which allows employees to voice their ethical concerns anonymously, received 4,597 calls in 2009. We investigated all cases and took corrective or disciplinary actions, when appropriate, to address each substantiated concern. Extensive information on UPS governance processes is available online at [investors.ups.com](http://investors.ups.com).

### COMMITMENTS TO EXTERNAL INITIATIVES.

We participate actively in organizations influential in environmental policy issues, such as the World Resource Institute (WRI) and World Economic Forum (WEF). UPS employees serve on a number of technical committees for WRI that develop standards and guidance,

and UPS is a founding member of the WRI Climate Southeast working group. In 2009, UPS contributed expertise as part of the WEF publication entitled, “Supply Chain Decarbonization: The Role of Logistics and Transport in Reducing Supply Chain Carbon Emissions.” UPS personnel also have participated in the Clean Cargo Working Group of Business for Social Responsibility (BSR). To help encourage and guide development of a new generation of lower-emission fuels for air transport, we are working with other members of the Air Transport Association of America (ATA).

We are active in a number of programs of the U.S. Environmental Protection Agency (EPA). UPS is the first and only global shipping company to join the Climate Leaders® program of the EPA. UPS was a charter partner in EPA’s SmartWay<sup>SM</sup> program, which is reducing the fuel consumption and emissions impact of the U.S. freight industry. We are a participant in the SmartWay program at the leadership level, with 100 percent of the UPS-owned U.S. vehicle fleet in the program. We participate in five other EPA voluntary programs aimed at influencing or executing U.S. climate change policy.

UPS is a leading corporate sponsor of World Association of Girl Guides and Girl Scouts (WAGGGS), a global organization that advances the social and economic development of young women around the world. More information about WAGGGS is presented in “Community” beginning on page 62.

In 2009, UPS announced a multi-year, multi-million-dollar initiative to improve the capabilities of relief organizations to respond to global emergencies. The effort, which will involve both UPS and The UPS Foundation, begins with a commitment of up to US\$9 million over the next two years in the form of substantial financial grants, in-kind services and the deployment of logistics expertise. The commitment will support some of the world’s most respected relief organizations, including the American Red Cross, UNICEF, the UN World Food Programme, CARE and the Aidmatrix Foundation. UPS and The UPS Foundation announced the initiative at the 2009 annual meeting of the Clinton Global Initiative, which recognized UPS for its “Commitment to Action.”

### STAKEHOLDER ENGAGEMENT.


We consider stakeholder engagement an essential aspect of corporate governance and therefore 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 all these stakeholders for decades. Based on this experience, we believe that long-term commitment by UPS, personal involvement by its employees, and focused action on shared priorities are the best ways to build trust and communication with external and internal groups.

We also welcome feedback and diverse points of view. In fact, one of our guiding principles is to be “constructively dissatisfied” with our own performance as a company. This in turn compels us to listen carefully to others, who may have different or better ideas than our own. For example, we:

- participate in more than 100 assessments and surveys by non-government organization and research firms as a way to learn about how we compare to our competitors and other sustainability leaders;
- actively seek and gather feedback from our employees through the use of internal surveys, focus groups and confidential hotlines;
- engage respectfully in open dialogue with our labor unions to answer their concerns;
- solicit insights from nonprofits, academics, and community leaders on a variety of emerging issues or concerns;
- review performance scorecards, reporting standards and other benchmarking tools, such as awards submissions, to identify areas where we can improve;
- respond directly to inquiries and comments from groups concerned about our business practices;
- conduct proactive monthly surveys with customers;
- catalogue, review and address customer comments about service issues or concerns about UPS’s actions;

- hold benchmarking sessions with other companies to determine best practices that can be implemented at UPS;
- require managers to respond to critical comments that emerge from employees, both personally and collectively;
- communicate transparently, consistently and frequently with shareowners; and
- audit media coverage of our company and our industry, including online commentary, to identify emerging issues or trends regarding UPS’s operational impact, customer service levels, and other aspects of our business.

In summary, we appreciate feedback on our own operations and seek to share our expertise with others.

 Complete information on governance and stakeholder commitments can be found on our investor website at [investors.ups.com](http://investors.ups.com).

## Management Approach and Performance Indicators

### MANAGEMENT APPROACH.

Our management priority for *environmental responsibility* is to optimize all our consumption of natural resources and fossil fuels and our emission of greenhouse gases. Our management approach to *social responsibility in the workplace* is to compensate our employees well, train them thoroughly, keep them safe, provide them with

abundant opportunities for personal and career development, and encourage them to become shareowners. Our management approach to *social responsibility in society* is to encourage our employees to provide skilled volunteer hours for nonprofit organizations in areas that correspond to UPS expertise (community safety, nonprofit effectiveness, economic and global literacy, environmental sustainability, and diversity), to direct a substantial portion of our corporate philanthropy to those organizations, and to increase the amount of our corporate philanthropy outside the U.S.

### PERFORMANCE INDICATORS.

UPS manages sustainability performance using hundreds of quantitative measures throughout the company and throughout the world. Some are highly detailed and individualized, such as those used to assess the fuel-efficiency performance of delivery drivers. Others are highly aggregated, such as those used to assess our carbon footprint or the emissions for our entire airline. Our management uses these quantitative measures to evaluate progress of existing programs and priorities and to identify new opportunities for increasing our sustainability performance.

Within these measures we have identified approximately 30 that we believe are material for UPS’s sustainability reporting. Within that set, we have identified 15 that we consider Key Performance Indicators for the sustainability of our business. These measures include KPIs for

environmental and social sustainability, and they are clearly identified as KPIs in this Report. Performance measures for financial performance are presented in our Annual Report, which is available online at [investors.ups.com](http://investors.ups.com).

With few exceptions, we use generally accepted or industry-standard metrics and measurement protocols so that our reported results will be directly comparable across our industry and with other companies outside our industry. In some cases, industry standards have not yet been established. The exceptions arise due to contextual circumstances, which are explained whenever the relevant metrics are presented in this Report. In some cases, we provide both absolute and normalized results because carbon intensity (fuel use and emissions at a given level of economic activity) may be as relevant or more relevant than absolute carbon footprint (actual fuel use and emissions regardless of the associated level of economic activity).

The table below summarizes the Key Performance Indicators (KPIs) presented in this Report. Data for all these KPIs were presented in our previous Reports as well. These KPIs appear in the relevant sections of this Report, with explanatory captions as well as accompanying narrative, and they should be used and analyzed in those contexts.

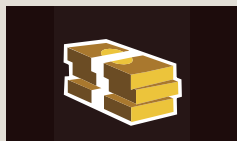
We encourage shareowners to communicate directly with the Board of Directors or with our independent directors by contacting our Corporate Secretary:

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

SOCIAL KPI DESCRIPTION	SCOPE OF DATA IN 2009	ADDITIONAL DATA DESCRIPTION	RESULTS				GOALS	
			2006	2007	2008	2009	2011	2020
Full-Time Employee Turnover Rate	Global Operations	Percent of all full-time employees that leave our company annually.	9.3%	9.6%	9.0%	7.4%	15.0%	—
Employer of Choice Index	Global Operations	A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.	75.0%	75.0%	Did not conduct	70.0%	70.0%	—
Total Charitable Contributions	Global Operations	Includes The UPS Foundation grants, in-kind services and employee/retiree donations to United Way.	US\$96.9M	US\$98.8M	US\$100.9M	US\$97.6M	US\$103.5M	—
Automotive Accident Frequency	Global Operations	Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.	15.3*	15.1*	13.3	10.9	8.9 <sup>†</sup> (US Pkg only)	—
DART (Days Away, Restricted or Transferred Duty) Injury Rate per 200,000 Hours	Global Operations	Days away from work, restricted activity, or transferred to another job due to an on-the-job injury. This number represents the number of occurrences per 200,000 hours worked.	6.9*	6.0*	5.0	4.2	4.1 <sup>†</sup> (US Pkg only)	—
ENVIRONMENTAL KPI DESCRIPTION	SCOPE OF DATA IN 2009	ADDITIONAL DATA DESCRIPTION	2006	2007	2008	2009	2011	2020
Penalties as a percent of Total Environmental Inspections	U.S. Package Operations U.S. Supply Chain and Freight	Environment related fines paid (United States) as a percent of total environment related agency inspections.	0.94%	1.14%	0.59%	1.00% 1.10%	0.00%	—
Water Consumption—Normalized Cu meters per 1,000 Packages Cu meters per US\$1,000 of Revenue	U.S. Package Operations	Water consumption (United States) includes all facility related water and water used to wash vehicles—expressed in cubic meters.	1.48 0.170	1.54 0.174	1.28 0.139	1.18 0.138	— —	— —
Energy Consumption—Normalized Gigajoule per 1,000 Packages Gigajoules per US\$1,000 of Revenue	U.S. Package Operations	Energy consumption (United States) includes stationary sources of energy and mobile sources of energy (gasoline, diesel, jet A, and compressed natural gas).	28.13 3.22	30.04* 3.39*	30.40* 3.32*	29.33 3.44	—	—
Gallons of Fuel per Ground Package	U.S. Package Operations	Fuel consumption (United States) includes gasoline, diesel, compressed natural gas, fuel for rail services divided by total United States ground and air volume moved on ground.	0.120	0.127*	0.127*	0.121	—	—
Aircraft Emissions per Payload Capacity	UPS Airlines—Global Operations	Total Emissions in kgs divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.	0.81	0.80	0.76	0.75	0.74	—
Percent of UPS Air Fleet Meeting Stage IV Noise Guidelines	UPS Airlines—Global Operations	Percent of UPS total fleet that meets 2006 noise requirements. Cumulative noise as measured by Effective Perceived Noise decibels.	96.1%	96.4%	100%	100.0%	100%	—
CO <sub>2</sub> Emissions—Normalized Metric tonnes per 1,000 Packages Metric tonnes per US\$100,000 of Revenue	U.S. Package Operations	GHG emissions (United States) calculated using GHG Protocol—Scope 1 and Scope 2. Includes stationary sources of energy (electricity, natural gas, propane, and heating oil) and mobile sources of energy (gasoline, diesel, jet A, compressed natural gas).	2.09 23.97	2.23* 25.09*	2.25* 24.61*	2.18 25.55	—	—
Number of Reportable Spills	U.S. Package Operations U.S. Supply Chain and Freight	Spills that meet criteria of being federal or state reportable.	33	49	82	75 38	0	—
Aviation Gallons Burned per 100 Available Ton Miles	UPS Airlines—Global Operations	Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance by lane segment X maximum payload in tons) divided by 100.	7.13	7.22	6.73	6.63	6.57**	6.27
CO <sub>2</sub> Pounds per Available Ton Mile	UPS Airlines—Global Operations	Pounds of CO <sub>2</sub> emitted for every ton of capacity transported one nautical mile.	1.50	1.52	1.42	1.40	—	1.24

Green Type—already met 2011 goal  
Brown Type—improved results from last year

\*These figures have been restated. See p. 37 for Environment figures and 58 for Social figures. \*\*2012 goal. †New goal.



## Marketplace

To read related highlights, visit page 9

UPS economic goals and financial performance are extensively documented on our investor relations website at [www.investors.ups.com](http://www.investors.ups.com). A summary of 2009 financial performance compared to 2008 is provided on this page. This section of this Report complements that information with additional commentary on the economic sustainability of our business and how that contributes to the larger economic system in which we operate. As the world's largest package delivery company, we have employees traveling the streets, highways and cities of more than 200 countries and territories on a nearly daily basis. This perspective gives us an unusually comprehensive and detailed view of the global marketplace and our role within it.

## Management Approach

UPS seeks to have a positive effect on economic vitality in the communities and countries where we operate, by

- serving our customers effectively,
- compensating our workers fairly,
- paying applicable taxes,
- distributing profits to our shareholders in the form of dividends,

- using a portion of our profits to conduct sustained corporate philanthropy, and
- encouraging our employees to donate time and money to ensure and enhance the economic health of their communities.

In 2009, we delivered an average of more than 15 million packages a day, connecting the participants in a global marketplace that includes everything from rural sole proprietors to multinational corporations. We believe that the economic benefits we generate are inter-dependent, and we operate our business from that perspective. This management approach to the marketplace in turn has strongly influenced the development of our company and its economic sustainability. Key aspects of our management approach are described in the following paragraphs.

### FINANCIAL STRENGTH.

We keep our balance sheet strong and we use conservative financial projections in our planning. Combined with disciplined cash management, these attributes have enabled us to increase or maintain our dividend for 40 years. Financial support for The UPS Foundation, our philanthropic arm, comes entirely from the profits we earn in our

business – even in years, such as 2009, when revenue and operating profit were under extraordinary pressure due to recessionary conditions.

### INTEGRATED NETWORK WITH GLOBAL REACH AND SCALE.

We believe that our integrated global ground and air network is the most extensive in the industry. Our network handles all levels of service (express, ground, domestic, international, commercial, residential) through one integrated pickup and delivery service system. This business model eliminates redundancies and enables us to use all assets more efficiently while reducing our carbon intensity. This in turn enables our customers to choose services with the right balance of cost, speed and carbon impact for meeting their own market challenges.

### TECHNOLOGY LEADERSHIP.

We are an industry pioneer in developing technology that simultaneously improves our logistical performance and increases our ability to help customers meet their shipping needs. One of our particular strengths is in information technology. For example, we operate one of the largest private databases in the world as measured by data volume, and we use it extensively to improve customer service, increase our

## Financial Highlights

(in millions except for per-share amounts)

	2009	2008
Revenue	US\$45,297	US\$51,486
Operating expenses	41,496	46,104
Net income	2,152	3,003
Adjusted net income*	2,316	3,578
Diluted earnings per share	2.14	2.94
Adjusted diluted earnings per share*	2.31	3.5
Dividends declared per share*	1.80	1.80
Assets	31,883	31,879
Long-term debt	8,668	7,797
Shareowners' equity	7,696	6,780
Capital expenditures	1,602	2,636
Cash and marketable securities	2,100	1,049

\* For an explanation of adjustments affecting results, see page 23-24 of the UPS 2009 Annual Report at [investors.ups.com](http://investors.ups.com).



To read related highlights, visit page 9

efficiency and anticipate both risks and opportunities for our business.

#### **DISTINCTIVE CULTURE.**

We believe that the dedication of our employees—and the enduring positive reputation they have earned with customers—results in large part from our distinctive “employee-owner” concept. Our employee stock ownership tradition began in 1927, when our founders first offered stock to employees. Today, more than 43 percent of UPS employees own UPS stock. This promotes a partnership mentality within the company that we believe motivates our employees to serve customers effectively and succeed competitively. To facilitate employee stock ownership, we maintain several stock-based compensation programs. Much more information on workplace and culture at UPS is provided in “Workplace” on page 55.

## Performance

Our performance in contributing to the wider economic system includes a number of components. Below we highlight the compensation we pay our workers; the dividends we pay our shareholders; the taxes and fees we pay to governments around the world; and our support for small and diverse business development around the world.

#### **COMPENSATION.**

UPS is one of the world’s largest private employers. Our global workforce of approximately 408,000 people includes more than 68,000 people located outside the United States. In 2009, we

paid full-time and part-time employees US\$25.6 billion in wages and benefits. While our global compensation and benefit programs vary based upon the competitive market and local regulation, our broad performance goal is to compensate our workers well so that they will view UPS as an employer of choice. (Further information on this topic is provided in “Workplace – Goals and Performance” on page 55.) Our investment in UPS employees generally includes competitive wages and salaries, health care, savings plans and incentive programs. Good jobs and competitive compensation packages help make our employees a positive economic force throughout the world.

#### **DIVIDENDS.**

In 2009, UPS distributed US\$1.75 billion in dividends to UPS shareholders, including approximately 94,000 UPS employees globally.

#### **TAXES.**

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2009, UPS paid more than US\$2.6 billion in taxes worldwide.

#### **SUPPORT FOR SMALL AND DIVERSE BUSINESSES.**

UPS has an indirect economic impact on its markets by making it easier for small and diverse businesses everywhere to participate in the global economy. We achieve this result by providing local businesses with three vital resources: procurement contracts, finance, and logistics. This is particularly important

for small and diverse businesses. While such businesses make up a majority of the world’s importers and exporters, many of them operate in areas where entrepreneurs may not have easy access to a wide range of financial and transport options.

UPS spent more than US\$1.6 billion with small and diverse businesses in 2009. The UPS Store® (with more than 4,700 locations around the world) is a franchise opportunity for small business entrepreneurs. Our financing subsidiary, UPS Capital®, helps small and diverse businesses finance trade and get access to government-backed loan programs. The UPS Foundation has pledged more than US\$1 million to microlending organizations operating around the world and makes grants to organizations promoting economic literacy and the social and economic development of young women. In many countries around the world, female entrepreneurship represents an increasingly important engine of economic development. In addition, our 62,000 points of retail presence around the world provide small and diverse businesses with local, one-stop access to our global network, including the products, services, and tools they need.

## Additional Contextual Information

Much of the global economy was in a recession or dealing with its consequences in 2009. This had a negative impact on our revenue, operating profit

and growth plans. To conserve our cash we took a number of steps. We froze hiring and compensation increases for management during the year, reduced our workforce through retirements and attrition; slowed our stock repurchase program, and reduced our capital expenditure budget. We also suspended the UPS contribution to the employee 401(k) matching program. The UPS Foundation reduced its total grant-making to US\$43.6 million from US\$46.9 million in 2008, a decline of 7%. For comparison, operating profit for UPS (the source of funding for the Foundation) declined 36% from the 2008 level.

Because we have been in business more than 100 years, we have significant management experience in dealing with economic cycles, including the importance of planning ahead for the opportunities we will encounter when the business cycle turns positive. In fact, our international expansion strategy was a primary reason for our strong financial performance in the last quarter of our fiscal year. We gained this momentum in part by opening major new operations centers in China and Canada in 2009. We also expanded our presence in other countries via acquisitions and a joint venture agreement. We believe that our international operations will continue to present substantial economic opportunities for UPS, its employees and shareholders in the years ahead.



# Environment

To read related highlights, visit pages 7, 11 and 17

## Management Approach

### DECISION GREEN

Our overall management approach to the environment is to make sustainable business decisions regarding all the resources we use (fuel, energy, water, and materials), including careful management and mitigation of their by-products (emissions, effluents, and waste) while maintaining or exceeding compliance with all applicable environmental laws and regulations and protecting biodiversity in delivering our products and services.

We are particularly focused on the environmental performance of our energy-intensive business assets, particularly our ground and air fleets. Our carbon reduction strategy regarding all fuel use and emissions is presented in “Energy and Emissions” beginning on this page.

We have long worked to gain major reductions in emissions and fuel consumption, such as through early development and adoption of new technologies, while continually making incremental performance improvements in our entire logistics network in the near term. This management approach has resulted in a long legacy of sustain-

ability “firsts” for UPS in our industry (see timeline on page 11).

Our management approach to the environment includes an Environmental Policy Statement and a set of Environmental Guidance Statements that specify how the policy is to be implemented. These Statements are included below in “Training and Awareness” on page 53.

### COMPREHENSIVE MEASUREMENT AND REPORTING CAPABILITIES.

Our ability to make pioneering, capital-intensive, far-reaching business decisions on environmental sustainability stems directly from our increasing ability to measure and report the relevant variables accurately and extensively. For example, we are one of the first companies in our sector to comprehensively report Scope 3 emissions (see page 32). We continue to advance our ability to capture and analyze emissions and fuel-use data, such as by working with new business units and outside vendors to increase their understanding of our data requirements.

### ENGAGEMENT WITH CLIMATE ISSUES AND ORGANIZATIONS.

UPS is engaged with numerous organizations that address climate change and other environmental issues. These include, but are not limited to:

- U.S. Environmental Protection Agency (EPA)
- World Resources Institute (WRI)
- Business for Social Responsibility (BSR)
- World Economic Forum (WEF)
- Air Transport Association of America (ATA)

More information on these engagements is provided earlier in “Profile” on page 26.

The UPS Foundation awarded more than \$2.9 million in grants for environmental initiatives around the world in 2009. Major recipients of the grants included WRI, The Nature Conservancy, Earth Day Network, the National Council for Science and the Environment, the National Park Foundation, Keep America Beautiful, and the National Arbor Day Foundation.

## Energy and Emissions: Our Decarbonization Synergy

At UPS, we recognize our management approach for avoiding energy use and emissions as “decarbonization synergy.” This means we simultaneously pursue multiple strategies for carbon avoidance,

in a way that make each one stronger and more effective than it would be on its own. These strategies (described in detail later in this section) focus on modal shifting, network efficiencies, air and ground fleet efficiencies, integration of technological and human factors, management of Scope 3 emissions, and more. A simple yet powerful example of decarbonization synergy at UPS is our ability to handle all categories of service (express, ground, domestic, international, commercial and residential) through one integrated pickup and delivery service system. For comparison, many of our competitors employ parallel service networks in their operating regions to handle different categories of services. By eliminating this redundancy throughout our global logistics network, we are able to use all assets more efficiently and achieve far greater carbon avoidance.

Because we proactively manage so many of the technical, logistical and behavioral factors that are essential to environmental performance, we can make decisions on multiple factors that increase energy and emissions efficiency more than any one factor could alone. For example, we made decisions in the past to own our own airline and a large fleet of delivery vehicles, and to build up our capabilities in long-

haul trucking. This in turn enables us to operate our modal shifting strategy (described below) at a high level, with each mode of transport used in the optimum way. We also invested in advanced IT and measurement capabilities, which is now creating synergies in many different areas. For example, we can precisely measure when and why our vehicles need conditional maintenance, so we can keep their fuel efficiency high at a lower cost. These are just a few of the many examples of sustainable carbon avoidance we have achieved by gaining control of a broad range of environmental performance factors and managing them in a synergistic way. Looking ahead, we believe that decarbonization synergy will enable us to incorporate emerging, environmentally friendly fuels and technologies into our network in a way that benefits both our economic and environmental bottom lines.

It would be impossible in this Report to detail every aspect of decarbonization synergy at UPS, because it extends so thoroughly into every corner of our operations. Below, we highlight a number of key carbon reduction factors that we measure, manage and mitigate as part of our overall carbon reduction strategy. We have selected these factors for illustration in part because they differentiate UPS and in part because



To read related highlights, visit pages 7, 11 and 17

they take place “behind the scenes.” We believe our customers and communities should be more aware of how careful management of these particular factors results in avoidance of fuel use and emissions in the transport and logistics industry.

#### **FLEXIBLE, INTEGRATED USE OF ALL TRANSPORT MODES.**

The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported). Aircraft have by far the highest energy intensity, well above ground transport using trucks. In contrast, the energy intensities of railroads and ships, respectively, are well below that of ground transport. These variations in energy intensity correspond to travel speed (higher speed results in higher energy intensity). This is why 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. In 2009, our modal shifting expertise enabled us to avoid 1.6 million metric tonnes of emissions by shifting delivery volume from air to ground, and we avoided another 840,500 metric tonnes of emissions by shifting volume from ground to rail—all while keeping our service commitments to customers.

#### **NETWORK EFFICIENCIES.**

Another fundamental way to reduce energy and emissions is to optimize the load of every truck, plane, ship or railcar used. This is why UPS fulfills so many

services—domestic and international, parcels and documents, express and ground—in one vehicle with one driver: we fully utilize every mile traveled by every mode of transport we use. Furthermore, we measure and manage the performance of our drivers and their vehicles using telematics (see page 41), which helps us minimize the miles we drive, the fuel we consume and the emissions we create on every trip, every day, all over the world. Our entire global network is designed and managed with the same philosophy. Our sorting facilities and transport hubs are strategically placed and modally connected to major population centers. Road, rail, air, and shipping hubs are connected together with one of the world’s largest private IT systems. On a daily basis, our load-optimized network moves goods for our customers at a level of efficiency they cannot otherwise achieve by themselves—which in turn dramatically reduces the total carbon emitted for all our customers.

#### **AIR FLEET EFFICIENCIES.**

Our management approach to air fleet efficiency includes a long-term strategy of investing in a comparatively young, quiet and fuel-efficient air fleet that is inherently more environmentally friendly than competitors’ fleets that still contain older aircraft such as Boeing 727s. Because air transport is more energy intensive than other modes, it usually contributes the largest portion of a company’s carbon footprint. At UPS, for example, our airline accounted for 53% of our enterprise carbon inventory in both 2008 and 2009. This is why

we devote so many KPIs to air fleet efficiencies. Measuring, managing and mitigating the environmental impact of air transport is critical to overall carbon impact—just as transparent reporting on these activities is critical to a full understanding of environmental responsibility in our industry.

#### **GROUND FLEET EFFICIENCIES.**

Carbon reduction in ground transport depends on two factors: mastering fuel efficiency for every type of vehicle used, and multiplying that mastery over as many vehicles as possible. This is why UPS has invested in ownership of more than 101,000 vehicles around the world. We have spent decades developing the ability to maximize fuel efficiency for our vehicles as well as our drivers, and owning our own vehicles enables us to multiply these efficiency gains by tens of thousands of vehicles, every business day. We believe this explains our exceptional performance in the EPA SmartWay program for the U.S. ground transportation industry (described on page 39), as well as the 10% aggregate improvement in miles per gallon (MPG) of the delivery vehicles in our U.S. Domestic Package segment from 2000 through 2009.

Alternative fuel/technology vehicles offer increases in energy efficiency, though the economic investment required to realize those efficiencies remains high. At UPS, we therefore look at alternative-technology vehicles holistically, considering more than their cost and miles per gallon. There is a finite amount of petroleum-based fuel available from our planet, so it is

important that UPS and other companies invest in ways to use alternative fuels and technologies, even if it does not make economic sense today for extensive deployment. This is why we have already formulated principles (see page 33) for adopting bio-fuels more widely in our operations: we intend to adopt lower-emission fuels as rapidly as possible consistent with our commitments to all our stakeholders, including customers and investors. As noted above in “Carbon Avoidance Through Modal Shifting,” we have developed advanced capabilities for integrating rail transport into our overall ground network, which includes railroads along with tractor-trailers and package delivery vehicles. Our significant use of rail has a material impact on our ability to provide an efficient ground network while achieving significant carbon avoidance.

#### **FULL INTEGRATION OF TECHNOLOGY AND HUMAN FACTORS.**

Whether it involves pilots and aircraft, drivers and delivery vehicles or loaders and route planning software, UPS strives to fully integrate human behavior with logistics and technologies. For example, our airline emissions may result from the engines on our jet planes, but winning regulatory approval for our pilots to fly the planes more efficiently is vitally important to reducing emissions from their engines. We believe that integration of technological factors and human factors is a critically important capability for reducing energy use and emissions, because it simultaneously empowers people and unlocks the

potential of our capital investments to also benefit the environment.

#### **MANAGEMENT OF SCOPE 3 EMISSIONS.**

All major companies in our industry have and exercise the option to hire outside contractors to conduct portions of their business. This includes the use of commercial air cargo services, railroads and ocean-going shipping lines as well as contractors for small-package and freight forwarding operations. The emissions from these contractors are known as “Scope 3” emissions. Some of our competitors, for example, report that up to 75 percent of their emissions come from Scope 3 sources. At UPS, our long-term carbon reduction strategy includes tight control of Scope 3 emissions, both by limiting our use of outside contractors and transport services, and by encouraging such contractors and services to reduce their carbon impact. (A complete description of UPS Scope 3 emissions is provided in “Report Scope and Boundary” on page 36.)

The prevalence of indirect emissions in our industry has two consequences for environmental impact. First, as noted above, companies that own a higher percentage of their network fleets have greater control of their overall fuel and emissions efficiency and options for improving them. Second, companies that use contractors extensively bear the responsibility for measuring, managing and mitigating the environmental performance of the contractors they use—and for reporting their emissions accurately and transparently.





To read related highlights, visit pages 7, 11 and 17

## Where We Stand On Bio-Fuels

There is considerable controversy in society regarding the environmental trade-offs of bio-fuels compared to conventional fossil fuels, and even in how to appropriately measure their environmental benefits. For example, some environmental organizations favor the “life-cycle analysis” method of evaluating bio-diesel fuel, which takes into account carbon dioxide sequestered in the process of growing the plants for the fuel. This method results in a significantly better environmental performance for bio-diesel compared to conventional diesel fuel. In contrast, other climate protection organizations focus on tail-pipe emissions, which do not reflect the life-cycle benefits of bio-fuels. We are engaged in this societal dialog at multiple levels, and are involved with other air transport companies in supporting the development of jet engine bio-fuels, because we believe bio-fuels are important to the long-term environmental health of our company and our planet. We also have formulated a set of principles for more widespread use of bio-fuels at UPS in the future. According to these principles, we look forward to a time when bio-fuels:

- are produced in an environmentally and socially responsible manner.
- meet or exceed existing fuel performance standards.
- are compatible with available engine technology.
- work in real-world operating conditions.
- are economically viable.
- are available in robust fuel supply chains.
- surpass the environmental performance of conventional fuels.

### TRANSPARENCY AND THIRD-PARTY VERIFICATION.

At UPS, we believe that full transparency and third-party assurance of emissions reporting should not be treated solely as compliance or public policy. They are drivers of carbon reduction strategies, because companies that are the most open to accurate outside assessment of their performance are the most likely to strive for sustainable, credible, holistic carbon reduction and avoidance. Conversely, companies that resist full transparency and third-party assurance are less accountable to society for their emissions performance and therefore have less incentive to pursue carbon reduction strategies.

## Products and Services

Our management approach to reducing the environmental impact of our products and services is primarily to increase our own operating efficiency. Our most basic service is to reduce the climate impact of our customers’ shipments by aggregating them into a highly efficient logistics network. We leverage that network to create and offer a growing range of green products and services, such as our carbon neutral shipping options. Information on our goals and performance is provided below, on page 45.

## Effluents and Waste

Our management approach to effluents and waste is to reduce, re-use and recycle. At a minimum, our approach is to comply with all applicable laws and regulations. In many cases, we exceed this standard of performance. Information on our goals and performance is provided below, on page 47.

## Water

Our management approach to water is one of conservation in our facilities and operations. Information on our goals and performance is provided below, on page 49.

## Compliance

Our management approach to compliance is to observe and comply with all applicable laws and regulations in all jurisdictions where we operate. In practice, we also exceed existing legal and regulatory standards in many cases. Relevant policies and programs are explained in “Policy” beginning on page 51.

## Materials

Our management approach to materials has two primary components:

- increasing our use of green procurement policies and practices that encourage our suppliers to use recyclable materials and packaging, and
- increasing development of environmentally responsible packaging solutions for our customers.

## Biodiversity

In general, biodiversity is not an issue of high materiality for UPS. Our management approach to biodiversity primarily concerns the location and management of our facilities and preventing transportation of invasive species. We set the criteria for our site selection, land purchases, and related facilities decisions to prevent negative impacts on biodiversity, and we cooperate with governmental authorities in efforts to prevent inadvertent transportation of invasive species.

## Climate Change Statement

As a global transportation company, UPS acknowledges that greenhouse gas emissions impact the climate and pose a serious challenge to the environment—and ultimately the global economy. It is the responsibility of all segments of society to improve energy efficiency and to reduce carbon emissions in the atmosphere.

UPS prides itself on its current, numerous sustainability initiatives, and being a responsible corporate citizen. Our long-term strategy is to optimize the processes that consume non-renewable resources. We also recognize that UPS is a critical component of our customers' supply chains, and that we have an obligation to help them operate in a more environmentally sustainable way.

We continue to review all aspects of our business, including: systems, procedures, equipment, and operating processes. These efforts are being developed in tandem with our plans for growth and profitability.

Our plan includes:

- Transportation network optimization to minimize the miles driven/ flown.
- Investments in fuel-saving technologies to reduce our dependency on fossil-based fuels.
- Energy conservation via facility design, operational practices, renewable energy, and retrofitting.

All these measures include both ongoing and new initiatives for the entire enterprise. We utilize technology-enabled, behavior-based, and engineering-based approaches to address our environmental footprint.

Specific ongoing programs yielding both operational and environmental results are:

- Alternative fuel/technology fleet deployment.
- Fuel and energy conservation programs.
- Airline initiatives on the ground and in the air.
- Shipment consolidation.
- Employee engagement programs.
- We will continue to improve our operating efficiency, which is one of the most significant ways we reduce our energy and fuel use. These actions are just a partial list of our efforts to reduce our greenhouse gas emissions and our dependency on fossil fuel. We report our progress annually in our sustainability report. Additional information is on our responsibility website ([ups.com/responsibility](http://ups.com/responsibility)).

In closing, we will be part of the solution to discover more opportunities for improvement with our industry partners and other thought leaders. It will take determination and collaboration with government, commercial, and non-government organizations to create a sustainable transportation infrastructure that will minimize environmental impact. Climate change is a critical issue that affects the future viability and prosperity of our world.



D. Scott Davis  
Chairman and CEO

 To read related highlights, visit pages 7, 11 and 17

# Goals and Performance

## Overview

UPS evaluates and manages environmental performance using a broad range of metrics. Most of these correspond to GRI performance indicators. We have designated a number of our environmental metrics as Key Performance Indicators (KPIs) in recognition of their long-term value to UPS and our stakeholders. These KPIs are presented in the pages that follow. In many cases, we provide global, comprehensive data as well as detailed breakouts for our largest reportable business segment (U.S. Domestic Package) and our largest emissions source (UPS Airlines).

In 2003, we began publishing a carbon inventory for the U.S., beginning with data for 2002. In 2009, we began reporting a carbon inventory that included both our international and domestic inventory, beginning with data for 2007 and 2008. This Report includes a more comprehensive overview and improved data quality for our 2009 global inventory, and we continue to improve our processes for measuring and reporting on Scope 1, 2 and 3 emissions in the future. This in turn improves our ability to set meaningful goals that challenge us as well as other companies.

## Reporting Scope and Boundaries

UPS is a global company operating in over 200 countries and territories. Our three reportable business segments are U.S. Domestic Package, International Package, and Supply Chain and Freight. Supply Chain and Freight solutions include freight forwarding, customs brokerage, fulfillment, returns, financial transactions, repairs and less-than-truckload transportation services.

### REPORTING ON GREENHOUSE GAS EMISSIONS.

Our reporting on greenhouse gas emissions includes scope 1, 2 and 3 emissions for all three segments based on operational control. Notable emissions reporting issues for this Report include the following:

- We provide information on global CO<sub>2</sub>e emissions for Scope 1 and 2 emissions for the first time. These CO<sub>2</sub>e emissions include CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFCs. In previous years, we reported only on CO<sub>2</sub> emissions.
- We made significant progress in 2009 with Scope 3 emissions reporting (CO<sub>2</sub> only), which is the most challenging area of carbon inventory reporting. In particular, we put considerable effort into completing a process map of all transport activities that generate carbon for our entire global enterprise. Our progress stems from extensive work to understand our emissions sources comprehensively, capture primary data to the extent possible, and apply sophis-

tics analytic techniques and factors to develop reportable information from secondary data where necessary. We are aided in this last effort by our participation in numerous organizations, programs and protocols, notably U.S. EPA (Climate Leaders), World Resource Institute (Greenhouse Gas Protocol) and Business for Social Responsibility (Clean Cargo Working Group).

- For many organizations, Scope 3 emissions have the greatest uncertainty due to the complexities associated with third party relationships. Part of our progress with Scope 3 emission reporting in 2009 was identifying three types of emissions source areas where we believe it will be possible to make further advances in data collection and analysis:

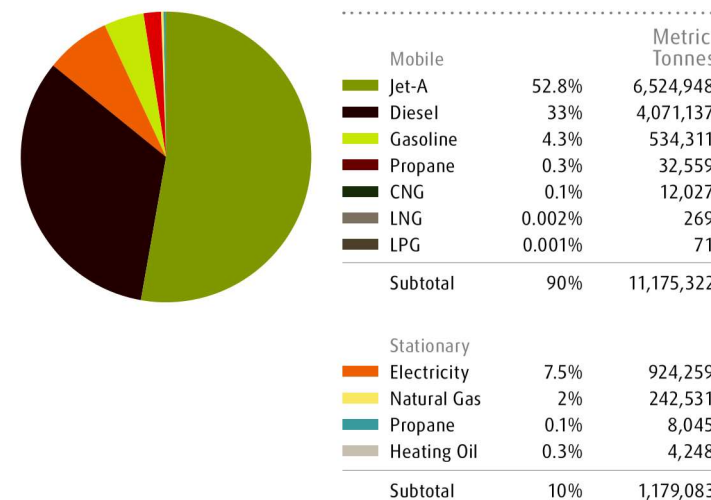
- areas of our operations where we already intend to gather more complete data; examples include the use of outside service partners to pick up and deliver small packages in South America and Asia, and the use of third-party contractors in our non-U.S. supply chain operations.
- areas of our operations where we know there is a carbon impact but we are not certain whether current data gathering activities are capturing it. Examples include the ground movement of packages/freight from ocean ports and railheads to UPS/customer facilities.
- aspects of our operations where we are not yet aware of a carbon impact and therefore may not be measuring it.

2009 Global Enterprise CO<sub>2</sub>e by Business Segment (million metric tonnes)

UPS publishes scope 1 and 2 global CO<sub>2</sub>e for the first time.

	U.S. Package Operations	Int'l Package Operations	Global Supply Chain and Freight	Total Enterprise
Scope 1 & 2 CO <sub>2</sub> e	7.27	3.78	1.31	12.36
Scope 3 CO <sub>2</sub>	.50	1.27	5.52	7.29
<b>TOTAL CO<sub>2</sub>e and CO<sub>2</sub></b>				<b>19.65</b>

2009 Total Scope 1 and 2 CO<sub>2</sub>e Emissions by Source—Global Enterprise (metric tonnes)



## Worldwide Carbon Scope and Boundary—90% Mobile and 10% Stationary Sources

### Emissions sources from U.S. Domestic Package segment.

Our largest business segment is U.S. Domestic Package, which includes all small package delivery services in the U.S. This segment accounted for 62% of our revenues in 2009. For this segment, Scope 1 emissions sources include:

- All jet fuel used for UPS owned aircraft (U.S. flights).
- All ground fuels (diesel, gasoline, propane, CNG, and LNG) used in UPS owned vehicles to transport, pickup and deliver small packages.
- Natural gas, propane and heating oil for facilities we own or lease. We estimate that these sources in total represent only 1.6 percent of global Scope 1 and 2 emissions for UPS. Of this 1.6%, we are capturing data for over 90% of our owned facilities, and approximately 60% of our leased facilities, including all our largest operations facilities, and we expect to continue improving our data collection.
- Fugitive HFC emissions from facility and vehicle air conditioning units.

Scope 2 emission sources for U.S. Domestic Package include electricity usage for facilities we own or lease. We estimate that these sources in total represent only 5.7% of global Scope 1 and 2 emissions for UPS. Of this 5.7%, we are capturing data for over 90% of our owned facilities, and approximately 60% of our leased facilities, including all our largest operations facilities, and we expect to continue improving our data collection.

Scope 3 emission sources for U.S. Domestic Package include emissions associated with:

- employee business travel;
- packages moved by third parties via small feeder aircraft or leased jet aircraft; and

- packages picked up, moved and delivered on the ground by third parties (including tractor-trailers, railroads, last-mile delivery by the U.S. Postal Service, and contract delivery service in Alaska).

### Emissions sources from International Package segment.

Our next largest business segment is International Package, which includes all package operations outside of the U.S. This segment accounted for 21% of our revenues in 2009. For this segment, Scope 1 emissions sources include:

- All jet fuel used for UPS owned aircraft (International flights).
- Ground fuels (diesel, gasoline, CNG, propane and LPG) used in vehicles we own to transport, pickup and delivery small package.
- Ground fuels (gasoline) for company-owned cars used by employees (Europe only).
- Natural gas, propane and heating oil for facilities we own or lease. We estimate that these sources in total represent only 0.3 percent of global Scope 1 and 2 emissions for UPS. Of this 0.3%, we are capturing data from these sources for approximately 40% of our owned and leased facilities, including all our largest operations facilities, and we expect to continue improving our data collection.
- Fugitive HFC emissions from facility and vehicle air conditioning units.

Scope 2 emission sources for International Package include electricity usage for facilities we own or lease. We estimate that these sources in total represent only 0.5 percent of global Scope 1 and 2 emissions for UPS. Of this 0.5%, we are capturing data for these sources for approximately 40% of our owned and leased facilities, including all our largest operations facilities, and we expect to continue improving our data collection.

Scope 3 emission sources for the International Package segment include emissions associated with:

- Employee business travel.
- Packages moved by third parties via chartered aircraft, leased jet aircraft, commercial airlines, or the air services of other small package delivery companies.
- Packages picked up, moved and delivered on the ground by third parties via tractor-trailers or the ground services of other small package delivery companies (estimated for Europe and Asia-Pacific regions only).
- Packages transported on the ground or over water by third parties via railroads or ferries over the UK Channel.

### Emissions sources from Supply Chain and Freight segment.

Our Supply Chain and Freight segment accounted for 17% of our revenues in 2009. Scope 1 emissions sources for this segment include:

- Ground fuels (diesel, gasoline) used in vehicles we own or lease to transport, pick up and deliver freight or packages.
- Ground fuels (gasoline) for company-owned cars used by employees (U.S. and Canada only).
- Fuel (diesel) used in refrigerated trailers (U.S. freight operations only).
- Natural gas, propane and heating oil for facilities we own or lease. We estimate that these sources in total represent only 0.2% of global Scope 1 and 2 emissions for UPS. We are capturing data from these sources for over 90% of our owned facilities, and approximately capturing 60% of our leased facilities in the U.S., including all our largest operations facilities. We are capturing data from these sources for approximately 35% of our owned and leased facilities in all other countries outside of the U.S., including all our

largest operations facilities, and we expect to continue improving our data collection.

- Fugitive HFC emissions from facility and vehicle air conditioning units.

Scope 2 emission sources for the Supply Chain and Freight segment include electricity usage for facilities we own or lease. We estimate that these sources in total represent only 1.3 percent of global Scope 1 and 2 emissions for UPS. Of this 1.3%, we are capturing data for these sources from over 90% of our owned facilities, and approximately 60% of our leased facilities in the U.S., including all our largest operations facilities. We are capturing data from these sources for approximately 35% of our owned and leased facilities in all other countries outside of the U.S., including all our largest operations facilities, and we expect to continue improving our data collection.

Scope 3 emission sources for Supply Chain and Freight include emissions associated with:

- Employee business travel.
- Mobile fuels for third-party pick-up, transport and delivery of freight for our UPS Freight Operations in the U.S. via various modes of transport which include tractor-trailers; railroads; agents in the U.S. for pickup and delivery of freight; ocean transport of freight, typically to Hawaii, Puerto Rico and Alaska.
- Mobile fuels to transport, pick up and deliver freight/packages by other third parties for global supply chain operations.
  - air transport (chartered aircraft, other small package delivery companies and commercial airlines).
  - Ground transport (estimated for the U.S. only) for pick up and delivery of freight/packages (tractor-trailers, other small package delivery companies and courier services).
  - other transportation modes, such as ocean-going ships.



To read related highlights, visit pages 7, 11 and 17

We restated our 2007 and 2008 Scope 1 inventory, which unintentionally under-reported fuel usage in the U.S. There are few instances of restatement, and they are shown clearly in our graphs and described in the accompanying text. These voluntary restatements stem directly from the ongoing work described above to increase the comprehensiveness and accuracy of our reporting.

**REPORTING ON WATER, EFFLUENTS AND WASTE.**

Our reporting for water consumption, solid waste disposal, hazardous waste disposal and recycling continues to apply to our entire U.S. Domestic Package segment and to the U.S. operations of our Supply Chain and Freight segment only. UPS’s primary usage of water is for vehicle washing, landscaping and domestic water usage. Water consumption data represents approximately 60% of our total U.S. owned and leased facilities from all business units. The remaining 40% of the facilities generate little water usage with the primary usage being domestic water service. We do not yet report this information for our International Package segment or international operations of the Supply Chain and Freight segment, because we do not have systems in place to capture the necessary data. This will continue to be a challenge for UPS in coming years due to the extensive nature of our global operations, the enormous number of providers for waste services and water utilities, and the financial investment required to acquire this data. The data we report concerning solid waste

disposal and recycling come from 1,551 facilities (65%) in the United States U.S. Domestic Package and Supply Chain and Freight segments that are managed through UPS’s corporate vendor program.

Hazardous waste disposal data for the U.S. Domestic Package segment cover 100% of facilities that are required to dispose of hazardous waste according to federal or state regulations. Hazardous waste disposal data for U.S. operations of UPS Freight cover more than 85% of these facilities. UPS Supply Chain and Freight operations generate very little hazardous waste and as a result, the data represents less than 10% of these facilities. We continue to work to move hazardous waste disposal for U.S. operations of the Supply Chain and Freight segment to the corporate vendor program, in order to enable centralized data capture.

**REPORTING ON COMPLIANCE.**

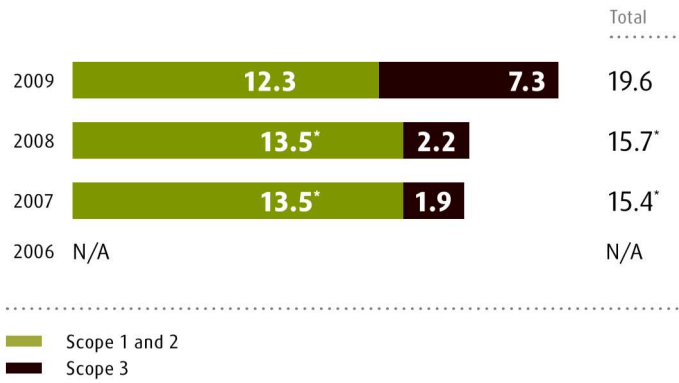
Our reporting for spills and environmental penalties is confined to the U.S. We will continue to improve data collection and reporting for international operations in the future. Our overall policy of environmental compliance applies to all our facilities and operations wherever we do business.

**Energy and Emissions**

This section begins with a high-level snapshot of all our direct (Scope 1) and indirect (Scope 2 and 3) emissions by business segment, source, type and proportion (see chart on page 40). We then

2009 Global Enterprise CO<sub>2</sub> Emissions

Direct emissions down, indirect emissions up—due to more comprehensive data collection



Total CO<sub>2</sub> emissions for the global enterprise includes both direct and indirect emissions from all UPS business units globally which include: U.S. Small Package Operations, International Small Package Operations and Global Supply Chain and Freight operations, see scope and boundary sections for detailed explanation of emission sources.

\*These figures have been restated. See left.



To read related highlights, visit pages 7, 11 and 17

present and discuss metrics for energy consumption and emissions, including numerous KPIs. Along with many of the metrics, we also describe the relevant management and mitigation efforts that were briefly summarized above in “Management Approach.”

**CONTROLLING CO<sub>2</sub>e EMISSIONS.**

Our direct (Scope 1) emissions declined in 2009 compared to 2008, in part because the recession reduced our delivery volume and package weight and also changed our business mix. Our carbon avoidance strategies, particularly modal shifting (described on page 32), also played an important role in controlling emissions. Note that emissions for 2007 and 2008 are now stated at a higher level than in our 2008 Report, due to our continued efforts to gather more comprehensive energy and emissions data even for past periods. These restatements mainly affect direct emissions.

Indirect (Scope 2 and 3) emissions rose compared to 2008, due primarily to capturing more raw Scope 3 data from more sources and continuing to improve our analytical processes for quantifying reportable emissions from the data we captured. Gathering the necessary data and performing the necessary calculations to formulate meaningful emissions results in these situations is extremely complex, requiring analysis of more than 3 million lines of data. We continue to work with all our sources of Scope 3 emissions to improve our data collection and reporting.

Our ability to manage emissions is evident in the chart (on page 40) showing CO<sub>2</sub>e emissions. CO<sub>2</sub>e emissions (short for “CO<sub>2</sub> equivalents”) is a metric that includes all six global warming gases named in The Greenhouse Gas Protocol. Because CO<sub>2</sub> is by far the most prominent of the six, the other five sources are expressed in CO<sub>2</sub> equivalents of global warming potential in order to create a unified metric. While CO<sub>2</sub>e reporting is more data-and calculation-intensive than reporting on CO<sub>2</sub> alone, it results in a more detailed and actionable carbon inventory.

In our International Package segment, business volume increased compared to 2008 but we reduced Scope 1 and 2 CO<sub>2</sub> emissions by 11%. In our largest and most mature segment, U.S. Domestic Package, business volume declined 3.5% but we recorded an even larger decline year-over-year in Scope 1 and 2 CO<sub>2</sub>e absolute emissions, of 6.2%.

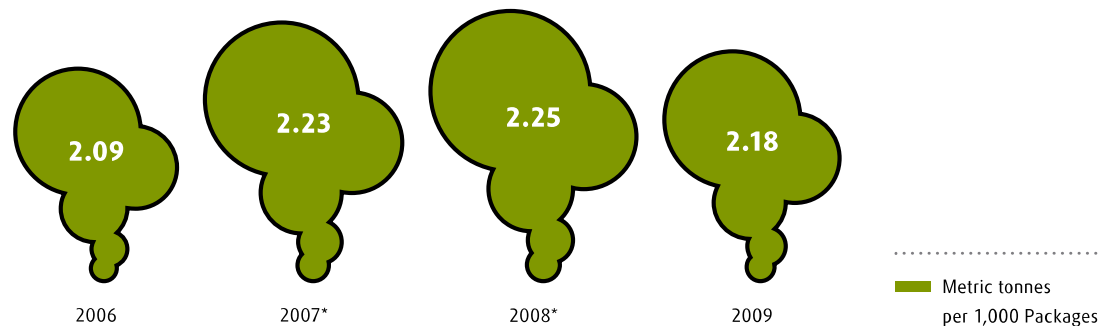
**REDUCING ENERGY CONSUMPTION.**

We achieved a similarly positive result in energy consumption for U.S. Domestic Package Segment: absolute consumption declined by an even larger percentage than package volume compared to 2008. We believe this is due to our flexible, multi-faceted carbon reduction strategy described above, which enabled us to find decarbonization synergies despite adverse economic conditions. On an absolute basis, energy consumption for the segment in 2009 was lower than in each of the previous four years. The energy consumption profile by type for U.S. Domestic Pack-

**KEY PERFORMANCE INDICATOR**

Scope 1 and 2 CO<sub>2</sub> Emissions—Normalized, U.S. Package Operations

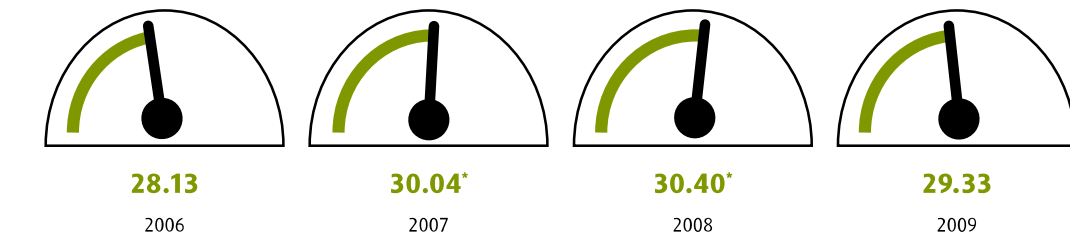
Carbon reduction surpasses U.S. small package volume reduction.



Total normalized CO<sub>2</sub> emissions for U.S. Package Operations includes scope 1 (direct) sources of CO<sub>2</sub> emissions (gasoline, diesel, jet-A, compressed natural gas, propane, natural gas and heating oil) and scope 2 (indirect) sources of CO<sub>2</sub> emissions from electricity. \*These figures have been restated. See p.37.

**KEY PERFORMANCE INDICATOR**

Energy Consumption—Normalized, U.S. Package Operations



Total normalized energy consumption for U.S. Package Operations includes direct sources of energy (gasoline, diesel, jet-A, compressed natural gas, propane, natural gas and heating oil) and indirect sources of energy from electricity. \*These numbers have been restated. See p.37.



To read related highlights, visit pages 7, 11 and 17

age Segment remained stable compared to 2008.

**INCREASED EFFICIENCY WITH ENERGY AND EMISSIONS.**

UPS tracks normalized energy consumption and emissions in order to compare the results of our management and mitigation efforts with operating results: package volume and business revenue. In other words, normalized measurements show our energy and emissions efficiency in running our business. In contrast, an absolute measurement shows total energy consumption or emissions without regard for how much business we were able to conduct at that level of energy consumption or emissions generation.

In 2009, energy efficiency and emissions efficiency for our largest business segment, U.S. Domestic Package, both improved compared to the previous year, due to more efficient management of our ground and air fleets as well as our facilities and other assets. Energy consumption was 3.5 percent lower per 1000 packages, and rose 3.6 percent per dollar of revenue. CO<sub>2</sub>e emissions declined 3.1 percent per 1000 packages, and increased 3.8 percent per dollar of revenue.

**GROUND NETWORK EFFICIENCY.**

UPS has owned and operated one of the world’s most extensive private ground delivery networks in the world for decades, so we have abundant experience in identifying and executing on ways to increase our ground network efficiency, particularly regarding fuel usage. For example, we achieved a 10%

aggregate improvement in miles per gallon (MPG) for the delivery vehicles in our U.S. Domestic Package segment over the decade that began in the year 2000. The strategies and methods behind this success include our package routing technology and growing use of telematics, both of which leverage our extensive investments and expertise in information technology as well as our commitment to driver training. Telematics is described in detail on page 41.

We believe our long-term, continuous focus on increasing ground network efficiency is a significant competitive and environmental advantage, based in part on external recognition for our results. One example is our Shipper Index Factor (SIF) as calculated by the EPA SmartWay program mentioned above. A SmartWay SIF of 1.25 is considered outstanding. Our SIF in 2008 was more than double that level, at 2.66, and our emissions performance (in grams per mile) as calculated under SmartWay is 33% higher than the average US domestic fleet. We believe this is a good example of decarbonization synergy at work: owning a high percentage of our ground fleet combined with continual incremental increases in vehicle and driver efficiency results in greater carbon reduction than either one would achieve independently.

*ROUTING TECHNOLOGY.*

Our proprietary routing technology enabled us to avoid driving more than 20.4 million miles in 2009, with an associated emissions avoidance of 20,000 metric tonnes with a cumulative avoidance of 119 million miles since

2001. The technology helps us achieve this by optimizing the processes of:

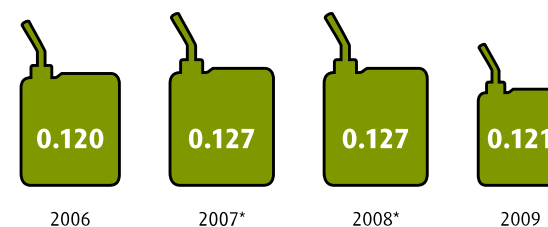
- Allocating our pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible.
- Loading vehicles most efficiently for the order of delivery, so that routes and miles driven can be kept to a minimum.
- Routing vehicles so that they reach all required destinations in the least amount of time and miles driven.
- 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
- Identifying stopping locations that enable multiple deliveries.
- Keeping drivers on route and on schedule via a handheld computer.

*ALTERNATIVE FUEL/TECHNOLOGY VEHICLES.*

Our alternative fuel/technology vehicle fleet logged more than 21 million miles in 2009, for a total of 185 million miles since 2000. The fleet reached a total of 1,883 vehicles in 2009, up from 1,819 in 2008, and we commissioned 245 new compressed natural gas (CNG) vehicles. Approximately a third of our alternative fuel/technology vehicles operate outside the United States: in Brazil, Canada, Netherlands, Chile, South Korea, France, Germany, Mexico, and the UK.

**KEY PERFORMANCE INDICATOR**  
Gallons of Fuel per Ground Package—U.S. Package Operations

Ground network fuel efficiency improves by 4.7% from 2008.

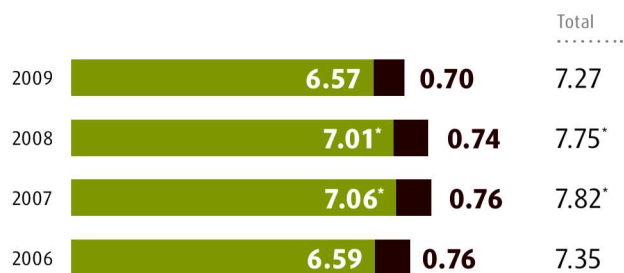


Fuel consumption (US) includes gasoline, diesel, compressed natural gas, liquid natural gas, fuel for rail services and fuel for small package contract carriers including the USPS Divided by total U.S. ground volume and air volume moved on ground.  
\*These figures have been restated. See p.37.

 To read related highlights, visit pages 7, 11 and 17

CO<sub>2</sub>e Emissions—Absolute, Direct vs. Indirect, U.S. Package Operations (million metric tonnes)

Effectively managed energy through the economic downturn.

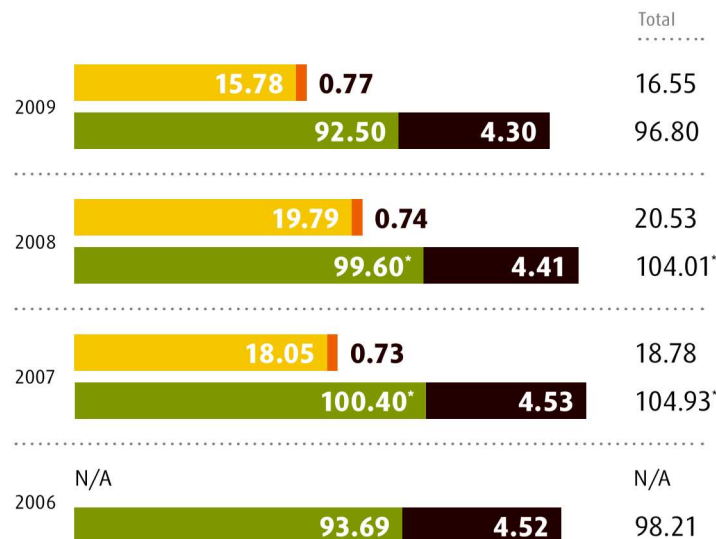


■ Direct CO<sub>2</sub>e Emissions (Scope 1) (million metric tonnes)  
■ Indirect CO<sub>2</sub>e Emissions (Scope 2) (million metric tonnes)

Total CO<sub>2</sub>e for U.S. Package Operations includes Scope 1 (direct) sources of GHG emissions (gasoline, diesel, jet A, compressed natural gas, natural gas, propane & heating oil) and Scope 2 (indirect) sources of GHG emissions from electricity. Direct CO<sub>2</sub>e emissions contain restated values for 2007 through 2008 as result of improved data accuracy.

\*These figures have been restated. See p.37.

Energy Consumption—Absolute, Direct vs. Indirect, U.S. Package Operations, U.S. Supply Chain and Freight (million gigajoules)

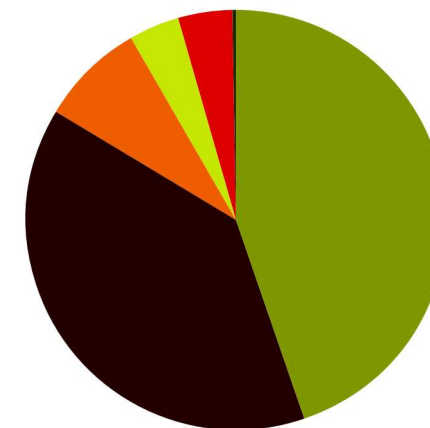


■ U.S. Package Operations Direct Energy Consumption (million gigajoules)  
■ U.S. Package Operations Indirect Energy Consumption (million gigajoules)  
■ U.S. Supply Chain and Freight Direct Energy Consumption (million gigajoules)  
■ U.S. Supply Chain and Freight Indirect Energy Consumption (million gigajoules)

Total energy consumption for U.S. Package Operations, U.S. Supply Chain and Freight includes direct sources of energy (gasoline, diesel, jet A, compressed natural gas, natural gas, propane & heating oil) and indirect sources of energy from electricity.

\*These figures have been restated. See p.37.

2009 Total Energy Consumption by Source—U.S. Package Operations



■ Mobile Jet A 45%  
■ Mobile Diesel 39%  
■ Mobile Gasoline 8%  
■ Mobile CNG 0.2%  
■ Mobile LNG 0.002%  
■ Stationary Natural Gas 4%  
■ Stationary Electricity 4%  
■ Stationary Propane 0.05%  
■ Stationary Heating Oil 0.02%





To read related highlights, visit pages 7, 11 and 17

## A Telling Difference With Telematics

At UPS, we believe the driver plays a vital role in making a vehicle more efficient with energy and emissions. That's why we use proprietary IT systems to give our drivers detailed information on efficient routes before they even hit the road. We also equip vehicles with energy informatics sensors that track speeds, turns, idle time, driving in reverse, and other data and transmit it to "data warehouse" computers for analysis using sophisticated software tools.

We call this approach "telematics," and it enables us to spot opportunities for individual drivers to get even more efficient with every mile they drive and every stop they make. Drivers receive detailed reports generated from telematics data, enabling them to compare their performance with benchmarks and set personal goals for increasing efficiency. At the same time, telematics gives us detailed reports on vehicle performance as well, so we can determine the best times and the best ways to keep them operating at peak efficiency with customized, condition-based maintenance rather than scheduled, one-size-fits-all maintenance.

In another example of decarbonization synergy, we combine telematics data (about vehicle performance) with business data (about packages and locations) according to time of day and analyze it with proprietary software to discover opportunities to improve our processes. Along with greater fuel and emissions efficiency, we can also find ways to improve our safety and our customer service performance.

Here are some examples of our success with telematics in 2009:

- In 2009, package operations drivers in telematics-equipped vehicles eliminated more than 13.5 million minutes of idling time. This translates into fuel savings of more than 90,000 gallons as well as substantial emissions avoidance.
- Package operations drivers in telematics-equipped vehicles improved stops per mile by 25% more than non-telematics centers. This saved 5.6 million miles, equating to over 590,000 gallons of fuel.

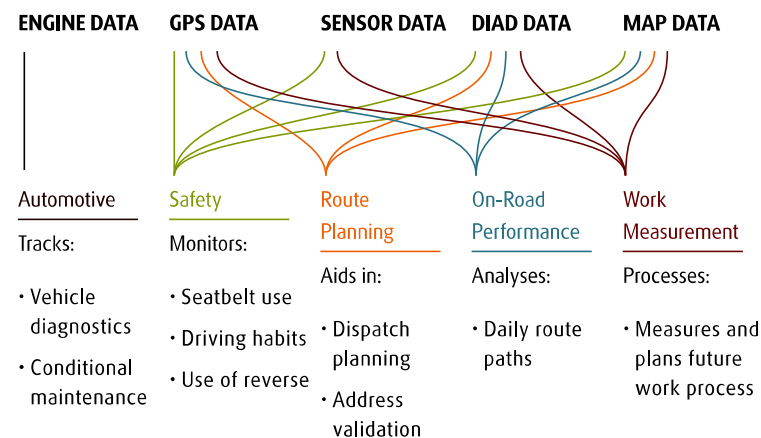
• Telematics allows us to match vehicles with routes that maximize fuel efficiency. For example, if a vehicle achieves its highest efficiency at a particular speed, we can assign it to routes where it performs best and where fuel consumption is minimized.

• Condition-based maintenance enabled telematics sites to reduce expenses for replacement parts by 6.27% compared to non-telematics sites; in addition to saving money and time, replacing fewer parts means less waste in landfills.

• 2009 capped a ten-year period during which we increased the average miles per gallon (MPG) of vehicles in our U.S. Domestic Package segment by 10%.

• By the end of 2009, vehicles with fully functioning telematics increased to 11,500 in 69 locations in North America. The technology has been installed in an additional 24,000 vehicles (approximately 37% of our U.S. fleet), which will become operational as more facilities are equipped to receive the data. We expect to continue expanding telematics steadily in the years ahead.

### Telematics Technology Utilizes:



 To read related highlights, visit pages 7, 11 and 17

## Leadership in Air Fleet Efficiency

The chart on this page depicts our progress toward an aggressive environmental goal: reducing CO<sub>2</sub> emissions from our airline by 42 percent by the year 2020, from a 1990 baseline. (The year 1990 is widely used as the baseline for calculating changes in greenhouse gas reduction.) The corresponding reduction from a 2005 baseline would be 20 percent.

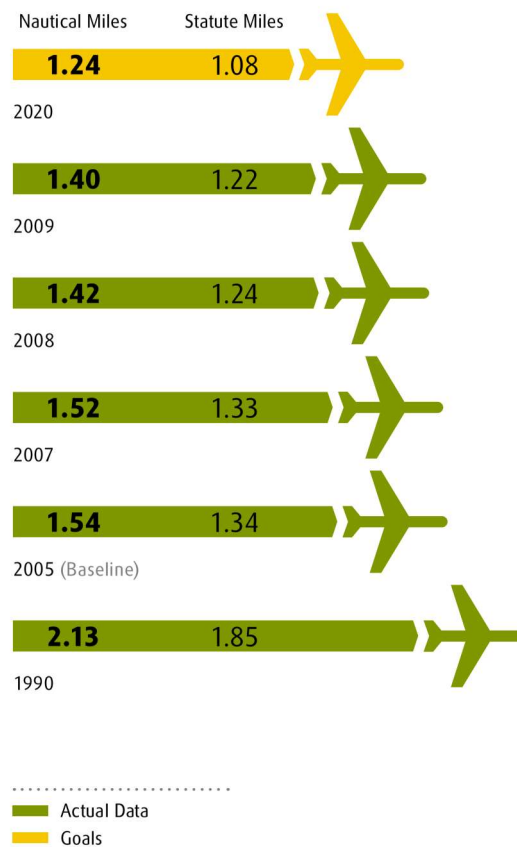
The metric for this KPI is CO<sub>2</sub> pounds emitted per available ton mile (CO<sub>2</sub>lbs/ATM), using nautical miles. According to published figures for our competitors using the same metric, our emissions efficiency of 1.40 CO<sub>2</sub>lbs/ATM in 2009 is among the best in the package airline sector. In fact, our current performance against this metric exceeds both the current result and long-term target reported by our nearest competitor.

Because airline emissions are generated by the burning of jet fuel, we also closely track aviation fuel burned per 100 available ton miles (gals/100ATM). Our progress in this regard is shown on the accompanying chart. In 2007 we set a goal of reducing fuel consumption to 6.9 gals/100ATM in 2011. This represents a 32% improvement from a 1990 baseline. We have already reached that goal, cutting aviation fuel use to 6.63 gals/100ATM in 2009, and set a new goal of 6.57 for 2012.

At present, this KPI is closely correlated with our KPI for reducing airline emissions, because emissions are generated from fuel consumption. In the long term, we believe that lower-emission bio-fuels will reduce the correlation between the two KPIs.

### KEY PERFORMANCE INDICATOR CO<sub>2</sub> Pounds per Available Ton Mile— UPS Airlines—Global Operations

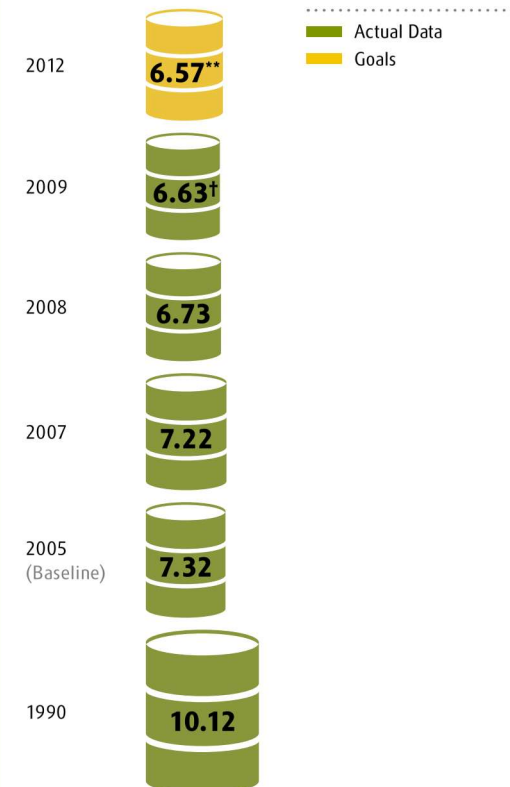
At 47% of meeting 2020 goal.



Pounds of CO<sub>2</sub> emitted for every ton of capacity transported one nautical mile.

### KEY PERFORMANCE INDICATOR Aviation Gallons Burned per 100 Available Ton Miles— UPS Airlines—Global Operations

Airline fuel efficiency beats 2011 goal, new goal set.



Gallons of jet fuel consumed by aircraft type by lane segment divided by (air distance (nautical miles) by lane segment x maximum payloads in tons) divided by 100.  
† 2011 goal of 6.9 was achieved in 2008. \*\*This is a revised goal.

 To read related highlights, visit pages 7, 11 and 17

**AIR FLEET EFFICIENCY.**

Airline emissions represent 53 percent of our global CO<sub>2</sub> inventory. For this reason, we have long made air fleet efficiency improvement a part of our strategic planning. Following our overall decarbonization synergy strategy, we take both long-term and near-term steps that complement each other. Long-term steps include investing in younger, more fuel-efficient aircraft before most companies in the package airline sector (see chart on page 44), and publicly declaring our commitment to use jet engine bio-fuels when they are ready. Near-term steps include numerous operating initiatives that increase fuel and emissions efficiency in big and small ways, day in and day out, around the world.

**EMISSIONS AND FUEL EFFICIENCY.**

We have developed numerous metrics specifically for managing and mitigating environmental impacts in our air operations. Two of the most important of these are presented and discussed on page 42. The first, concerning emissions efficiency, is a Key Performance Indicator we introduced in 2009 along with a long-term goal of reducing emissions from UPS Airlines 42 percent from our 1990 baseline and 20 percent from our 2005 baseline. We are on track to achieve that goal, and we believe we are well ahead of our competitors in air fleet emissions reductions. The second KPI tracks air fleet fuel efficiency, for which our 2011 goal represents a 32% improvement from our 1990 baseline. We reached that goal ahead of schedule

in 2008, and exceeded it by an even wider margin in 2009.

A third air fleet KPI (at right) addresses air quality near airports by dividing hydrocarbons, carbon monoxide and nitrogen oxides emitted during aircraft takeoffs and landings (in kilograms) by the payload capacity of UPS aircraft (in units of 1,000 kilograms, weighted by average annual aircraft cycles). This metric compares our near-airport emissions to how much air transport capacity we use during the year, and therefore gives us an indication of the emissions efficiency of our fleet during periods of relatively high fuel consumption (including taxiing, take-offs, and landings). We reduced these emissions in 2009, due in part to retirements of older, less efficient aircraft. At the end of 2009, the metric yielded an overall result of 0.75, which brings us close to achieving our 2011 goal of 0.74.

The emission and energy reductions shown in the KPIs above come from a combination of long-term planning and day-to-day operating efficiency. The latter category includes numerous strategies and techniques for reducing aircraft fuel consumption and associated emissions, including:

- lower flight speeds,
- computer-optimized flight plans,
- computer-managed aircraft taxi times,
- fuel-efficient towing tugs,
- bio-diesel in ground support equipment,
- environmentally friendly paint that reduces drag, and

• cleaner engines.

**FULL COMPLIANCE WITH ICAO GUIDELINES.**

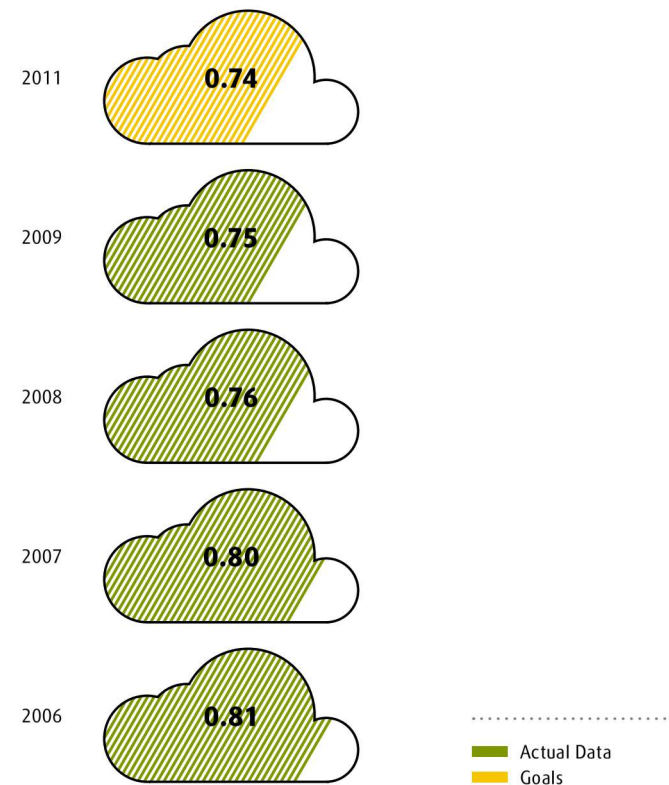
UPS operates one of the youngest and most fuel-efficient air fleets in the package delivery sector, which is why we are the only company in the sector to exceed compliance with International Civil Aviation Organization (ICAO) Stage IV noise guidelines. We achieved this leadership due in part to investments we have made in past years to reduce aircraft noise, and also to aircraft retirements in 2009. The noise characteristics of our fleet are charted on page 44, along with the average age of each aircraft type. The average age of our entire fleet of 210 aircraft in 2009 was just 12.3 years.

One of our most significant advances in noise reduction in recent years was our early adoption of “continuous descent approach” (CDA) landings at airports in the United States and Europe. In a conventional approach to an airport landing, pilots drop down from cruising altitude in a series of steps, each requiring a burst of acceleration to stabilize at the next step. In a CDA landing, our pilots idle their engines and glide in as if rolling quietly down a ramp rather than bumping down a flight of stairs. This technique can reduce an aircraft’s noise profile by 30 percent and lower ground noise by five decibels—a significant difference for people living and working near busy airports.

Despite its advantages, CDA still requires approval of airport authorities in every location where we introduce it. In 2009,

**KEY PERFORMANCE INDICATOR**  
Aircraft Emissions per Payload Capacity—  
UPS Airlines—Global Operations

7.4% reduction in aircraft emissions on take-offs and landings since 2006.



Total emissions of HC, CO AND NO<sub>x</sub> in kgs from aircraft takeoffs and landings below 3,000 feet of altitude divided by the sum of max structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.



To read related highlights, visit pages 7, 11 and 17

## UPS operates a modern, quiet, fuel-efficient airfleet.

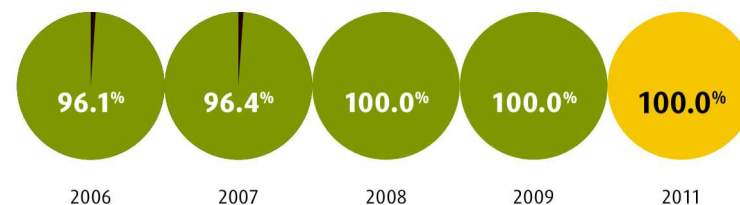
Jet aircraft owned/leased as of 12/31/2009

Aircraft	Engine	db below Stage 3 Limit	db below Stage 4 Limit	# of Aircraft in operation	Average Age
A300F4-600	PW-4158	-11.3	-1.33	53	6.5
B757-200	RB211-535E4	-19.8	-9.83	40	13.3
B757-200	PW-2040	-13.0	-3.03	35	19.1
B767-300	CF6-80C2B6F	-14.5	-4.51	34	11.3
MD-11	PW4460	-12.5	-2.53	27	15.6
B-747-400F	CF6-80C2B1F	-12.3	-2.33	10	4.3
MD-11	CF6-80C2D1F	-13.4	-3.43	11	16.1
DC8-73	CFM56-2C1	-16.7	-6.72	0	RETIRED
DC8-71	CFM56-2C1	-16.7	-6.71	0	RETIRED
B727-100QF	TAY 651-54	-12.4	-2.44	0	RETIRED
B-747-200	JT9D-7Q	-2.6	7.43	0	RETIRED
B727-200	JT8D-15 (HK)	-1.0	8.97	0	RETIRED
B-747-100	JT9D-7A	-0.9	9.13	0	RETIRED
TOTAL				210	12.25

### KEY PERFORMANCE INDICATOR

Percent of UPS Air Fleet Meeting Stage IV Noise Guidelines—UPS Airlines-Global Operations

## UPS Airlines leads the industry in noise reduction.\*



Actual Data  
Goals

\*The entire UPS fleet meets 2006 noise requirements (which only applies to new aircraft acquisitions). Cumulative noise (take-off sideline and approach) as measured by effective perceived noise decibels (EPNdb).

The table at left shows how much quieter (in decibels) our aircraft are than the regulatory limits. UPS measure its total fleet against noise reduction regulations that only apply to new aircraft.

- STAGE 3 applies to new aircraft purchased after January 1, 1999. UPS's entire fleet met Stage 3 limits in December 1996.
- Stage 4 applies to new aircraft purchased after January 1, 2006. UPS's entire fleet met Stage 4 limits in 2008

The UPS fleet has an average age of 12.25 years. New aircraft types are more quiet and more fuel efficient. Many of the aircraft we have retired are still in use by our competitors.



To read related highlights, visit pages 7, 11 and 17

we engaged with local airport authorities and their surrounding communities in Europe and the U.S. to explain the benefits of CDA and demonstrate its effectiveness, particularly with night flights at airports near densely populated areas. We then worked with air traffic controllers to ensure that CDA presents no safety issues for any other air carriers using the airport. These successful engagements resulted in new or increased use of CDA in central England; Cologne, Germany; Tampa, Florida (U.S.); and Louisville, Kentucky (U.S.).

#### **ENERGY CONSERVATION.**

Stationary assets (excluding the vehicles, planes, trains and ships used in our transport network) are 10% of our global carbon inventory in 2009, and we continued to develop, sustain or expand initiatives to reduce energy use in all our facilities. For example, we were able to save 3.4 million therms of natural gas in 2009, primarily through simple steps such as setting thermostats lower in some facilities.

#### **LIGHTING.**

Lighting is one of our major stationary sources of energy use and emissions, in part because our distribution centers are large facilities that remain in operation overnight. In 2009, our multi-year lighting upgrade program replaced or upgraded 22,683 fixtures. The total since 2007 is more than 69,000 fixtures upgraded, with an estimated annual energy saving of 25 million kilowatt hours.

#### **RENEWABLE ENERGY.**

In 2009, we completed our test of a first-generation solid oxide fuel cell developed by Bloom Energy. Operating in our Anchorage, Alaska distribution facility, the fuel cell produced more than 300,000 kilowatt hours of electricity in 2009, and reduced CO<sub>2</sub> emissions associated with the facility by 170 metric tonnes. Our solar-powered facility in Palm Springs, Calif. produced 70 percent of its own electricity from solar technology, eliminating 500 metric tonnes of CO<sub>2</sub> emissions—the equivalent of taking 95 automobiles off the road for the year.

#### **BACK-OFFICE ENERGY CONSERVATION.**

Energy efficiency is a priority in our office and IT environments as well. In 2009 we continued to expand our use of building automation systems, such as motion sensors for office lighting, to reduce energy consumption. These systems have been installed at our corporate offices, major data centers, and new distribution facilities, such as in Newington, Va. and Cordova, Calif. As older heating, ventilation and air conditioning (HVAC) systems reach the end of their life cycles, we replace them with high-efficiency units. More than 81 percent of vending machines in UPS locations in the United States are now ENERGY STAR compliant. Our Windward Data Center, where we monitor all packages moving through our logistics network, saved an estimated 3 million kilowatt hours of electricity in 2009 due to high-efficiency heat-exchange and other temperature-control techniques.

In 2009, UPS joined the EPA Low Carbon IT program, which aims to reduce energy consumed by information technology in United States offices and data centers. Approximately 92,000 computer monitors in UPS facilities are set to an energy-saving mode as part of that program. Many additional examples of energy efficiency initiatives at UPS are available on our website at [ups.com/environment](http://ups.com/environment).

## Products and Services

In 2009, UPS was the first small package carrier to offer its customers the ability to offset the carbon dioxide emissions generated by the transport of their packages within the United States. This service is described in detail on page 8 and 46. This section of the Report also describes other green products and services from UPS, including our Logistics Technology offering, and explains how all these products and services are strongly aligned with Federal Executive Order 13514 signed by U.S. President Barack Obama.



To read related highlights, visit pages 7, 11 and 17

## UPS Carbon Neutral: More Than Just a Product

UPS's carbon neutral option, the first of its kind in the U.S., enables customers to mitigate the climate impact of their shipping. To show our commitment to the environment and encourage customers to use the new service, we pledged to match US\$1 million in offsets purchased for our customers' UPS carbon neutral transactions in 2009 and 2010. This matching program effectively doubles the benefit of the carbon neutral service for these two years.

The credibility of our carbon neutral service is based on our ability to perform a number of complex processes at a high level of precision and repeatability. These include:

- capturing our comprehensive global carbon inventory, including Scope 1, 2 and 3 emissions, to the extent of our Report scope and boundary as disclosed on page 36,
- accurately determining emissions data for a given shipment based on the form of transport,
- "truing up" offset calculations to the year in which the customer used the service, thus ensuring that the offset is calculated using accurate emissions data,

- identifying high-quality carbon offset options that meet our stringent acquisition standards,
- validating our offset choices with an independent assessor,
- customizing offset offerings for shippers according to their volumes and shipping patterns,
- making the service available to a critical mass of customers, including individuals and small businesses, and
- achieving certification and verification of our service and carbon neutral process, respectively, by two independent third-party organizations.

A carbon offset is a certified financial instrument aimed at a reduction in greenhouse gas emissions. The term "carbon" actually refers to carbon dioxide, or CO<sub>2</sub>, one of the six greenhouse gases named in the Greenhouse Gas Protocol as primary contributors to global warming. CO<sub>2</sub> is the most prevalent of the gases in the protocol, and it results from combustion of fossil fuels. Billions of people directly or indirectly participate in activities that burn fossil fuels, making carbon reduction an essential issue for environmental protection.

Each year, we conduct an audit of our actual carbon emitted in the previous year and purchase carbon credits to offset emissions related to carbon neutral shipments. The offsets we purchase meet the key standard of additionality, which means that the carbon reduction project in question (such as reforestation) produced an offsetting reduction in CO<sub>2</sub> generation or offsetting sequestration of CO<sub>2</sub> in addition to what would have been achieved by activities already planned or underway. We retire all offsets in direct proportion to the actual climate shipments made.

Our carbon neutral process is verified by Société Générale de Surveillance (SGS), an independent inspection, testing and verification company. Additionally, The CarbonNeutral Company has certified UPS's carbon neutral process in accordance with The CarbonNeutral Protocol. In purchasing carbon credit offsets, we target Gold Standard, Voluntary Carbon Standard (VCS), and Climate Action Reserve (CAR) certified offsets, European Union Allowances and Certified Emission Reduction offsets. These organizations support a variety of high-quality, geographically-appropriate CO<sub>2</sub> offset projects such as waste water treatment, reforestation, methane destruction and landfill gas destruction.

### Offset Example

Our first purchase of carbon offsets was in the Garcia River Forest Climate Action Project. In February 2008, the California Climate Action Registry (CCAR)—a premier carbon offset registry in the U.S. carbon market—certified the 23,780-acre Garcia River Forest as a source of carbon credits. Over its 100 year lifetime, The Nature Conservancy estimates that the Garcia River Forest project will absorb and store 4.2 million metric tons of carbon dioxide by ensuring high forest growth rates and the development of larger and denser stands of redwood and Douglas fir.



Additional information on UPS carbon neutral is available online at [ups.com/carbonneutral](http://ups.com/carbonneutral).



To read related highlights, visit pages 7, 11 and 17

**LOGISTICS TECHNOLOGIES.**

UPS does more than plan delivery routes to reduce fuel consumption, lower greenhouse gas emissions, and cut fuel costs. We also help other companies do the same, using products provided by UPS Logistics Technologies. This business unit has adapted UPS proprietary software into ten products for different applications, including the popular Roadnet daily routing product, and licensed them to approximately 1,200 companies around the world. Companies using these products average a 15% reduction in miles driven, which added up to 1.1 billion miles not driven in 2009. This total translates into 1.9 million metric tonnes of carbon avoidance and cost savings on 186 million gallons of fuel. On top of these environmental and financial benefits, UPS Logistics Technologies customers report improvements in response times on service and delivery calls, more efficient use of drivers and maintenance resources, increased competitiveness, and greater ability to target opportunities for growth. More information is available online at [ups.com/bussol](http://ups.com/bussol).

**GREEN PACKAGING AND SERVICES.**

Along with operating a responsible supply chain, we share related expertise with customers. One example is our UPS Package Design and Test Lab, which has extensive experience with packaging for all types of shipping. The Lab now offers UPS customers advice on minimizing the environmental impact of their own packaging. Similarly, we increased our consulting engagements for supply chain management in 2009, helping other

companies achieve efficiencies in how they receive and distribute their documents, goods and materials. Other green packaging and services are described online at [ups.com/bussol](http://ups.com/bussol).

**Effluents and Waste**

Because UPS is not involved in manufacturing (we purchase the packaging that we provide to customers), our management and mitigation of effluents and waste is limited primarily to solid waste from supplier packaging and pallets, office paper, e-waste, and batteries.

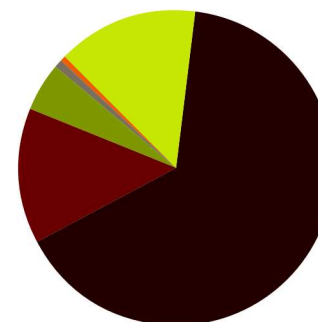
**SOLID WASTE RECYCLING.**

At UPS, solid waste mainly takes the form of corrugated containers and wood pallets. The complete breakdown of solid waste by type across 1,551 facilities in the U.S. is shown in the chart at right. In 2009, these facilities generated more than 104,000 tons of solid waste and recycled nearly 35,000 tons of solid waste. This total was 31 percent lower than in 2008, driven largely by a recessionary economy that led to lower revenues in our business as well as contraction in the market for certain recycled materials. In combination, these factors reduced our financial ability to recover the costs of recycling programs. Beginning in 2010, we plan to address this challenge by giving many of our facilities more flexibility to invest in recycling programs and activities. We believe this new approach will more fully engage positive market forces, the entrepreneurial capabilities of our facilities managers, and the overall

commitment to sustainability of UPSers everywhere.

We continued to expand our e-waste recycling program in 2009, particularly in Europe and Asia. Since 2000, the program has recycled 27 million pounds of e-waste. E-waste includes desktop computers, laptops, servers, hard drives, cables, keyboards, telephones, cell phones, routers, switches, printers, and media such as CDs. Through our participation in the Rechargeable Battery Recycling Corporation (RBRC), we recycled 28,550 pounds of batteries in 2009.

2009 Solid Waste Recycling—U.S. Package Operations, U.S. Supply Chain and Freight (U.S. tons)



	Tons
Corrugated Containers	22,815
Pallets and Wood Waste	5,086
Metals	4,846
Mixed Recycling	1,748
Office Paper	244
Plastics	148

Data represents 1,551 facilities, across all U.S. business units, that are managing waste & recycling through the corporate vendor. (See scope and boundary section)

**WasteWise**

WasteWise is a free, voluntary EPA program that supports corporate and municipal efforts to eliminate wastes through prevention, recycling and other measures. To help WasteWise participants quantify the climate benefits from their waste reduction efforts, EPA developed a Waste Reduction Model (WARM) that translates waste prevention and recycling data into equivalent greenhouse gas reductions. Using WARM, the EPA calculated that in 2009, UPS recycling efforts yielded a reduction of 120,315 metric tonnes of CO<sub>2</sub>e. This amount is equivalent to removing 22,035 passenger vehicles from the road for a year.



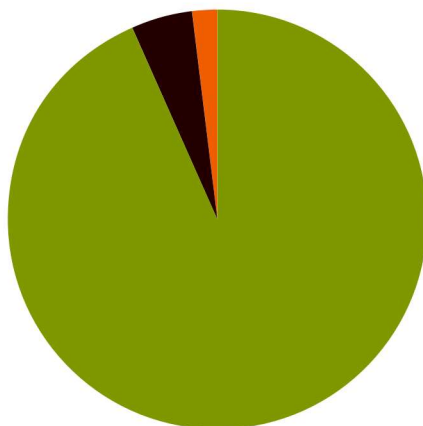
To read related highlights, visit pages 7, 11 and 17

**HAZARDOUS AND NON-HAZARDOUS WASTE MANAGEMENT.**

Wastes are generated from aircraft, vehicle and facility operations. These wastes typically include spent anti-freeze, used oil, spent solvents, spill residues, paint wastes, used filters and leaking packages. Approximately 90 percent of these wastes are managed as non-hazardous wastes, and recycled or disposed of locally through numerous vendors in the U.S. The remaining 10 percent of these wastes are classified as hazardous wastes according to federal or state regulations, and are managed through three UPS-approved vendors.

In 2009, UPS operating facilities in the United States generated 1,145 tons of hazardous waste, 9% less than in 2008. Ninety two percent of these hazardous wastes are incinerated. The incineration process converts approximately 80% of the waste to energy recovery. Ash from the incineration process is included in the 2% of hazardous waste that is treated and disposed of in a secure land-fill operated by a UPS-approved vendor. The remaining 6% of the hazardous waste we generate is recycled.

2009 Hazardous Waste Management Methods—U.S. Package Operations, U.S. Supply Chain and Freight (U.S. tons)



Incinerated	92%	(1,052)
Recycled	6%	(69)
Treated and Landfilled	2%	(24)

Data represents U.S. facilities, in all business units, disposing of hazardous waste through corporate vendors. (See scope and boundary section)





To read related highlights, visit pages 7, 11 and 17

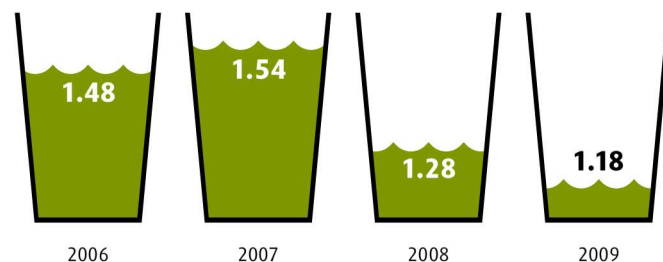
## Water

In 2009, UPS continued to improve our collection and analysis of water data, particularly outside the United States. Our KPIs for water use are still focused on domestic operations, however, because we are able to report more accurately for them. We began putting processes in place in 2009 to gather international water data so that we can report on global water usage.

The U.S. Domestic Package segment reduced absolute water consumption to 3.9 million cubic meters (1.03 billion gallons) in 2009, 11 percent lower than in 2008 and well below the levels of the previous three years. Normalized water use for our U.S. Domestic Package segment showed a similar pattern, with a 7.8 percent reduction per 1,000 packages compared to 2008 and significantly lower consumption compared to the three years prior to 2008. Note that the normalized percentage change per US\$1,000 in revenue declined less than 1 percent, indicating that water consumption correlates more strongly with package volume than with revenue. As in prior years, reduction in water use came from multiple sources. We wash our more than 75,000 vehicles in the United States only as needed to maintain appearance; we reclaim water from some vehicle washing tunnels; and we use an environmentally friendly enzyme wash agent that reduces the need for rinse water.

### KEY PERFORMANCE INDICATOR Water Consumption—Normalized, U.S. Package Operations

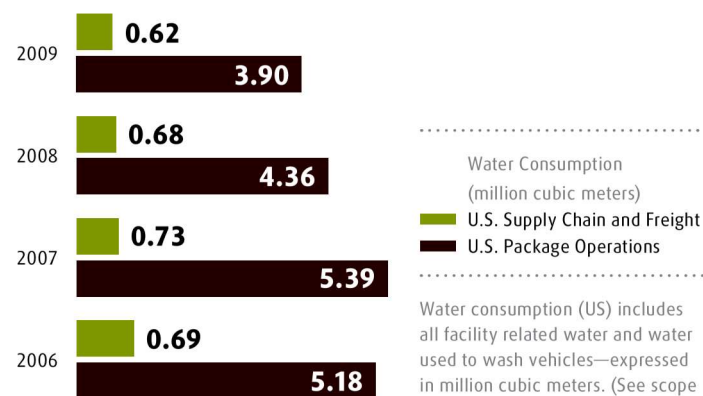
#### Water consumption performance improves.



Water Consumption Cubic Meters(m³) per 1,000 Packages

Water consumption (US) includes all facility related water and water used to wash vehicles—expressed in cubic meters. (See scope and boundary section)

#### Water Consumption—Absolute, U.S. Package Operations, U.S. Supply Chain and Freight



Water Consumption (million cubic meters)  
 U.S. Supply Chain and Freight  
 U.S. Package Operations

Water consumption (US) includes all facility related water and water used to wash vehicles—expressed in million cubic meters. (See scope and boundary section)

To read related highlights, visit pages 7, 11 and 17

### 2009 spill incident cause analysis.

	Aircraft			UST/AST and/or Piping		Fuel Delivery Vehicle		GSE			Package						UPS Vehicle							Freight Shipment
	Equipment Failure	Equipment Failure	Storage Tank Overfill	Storage Tank Overfill	Accident	Equipment Failure	Damaged Package	Human Error	Improper Packaging	Accident	Damaged Package	Equipment Failure	Human Error	Improper Packaging	Road Debris	Vehicle Overfill	Human Error							
<b>U.S. Package Operations</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>13</b>	<b>2</b>	<b>3</b>	<b>22</b>	<b>1</b>	<b>14</b>	<b>6</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>75</b>						
<b>U.S. Supply Chain And Freight</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>38</b>						
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>13</b>	<b>2</b>	<b>3</b>	<b>36</b>	<b>1</b>	<b>21</b>	<b>9</b>	<b>1</b>	<b>13</b>	<b>1</b>	<b>1</b>	<b>113</b>						

Spills that meet criteria of being federal or state reportable.

#### KEY PERFORMANCE INDICATOR

Number of Reportable Spill Incidents U.S. Federal or State Environmental Agency

### Better reporting in freight—spills down in U.S. Package Operations.

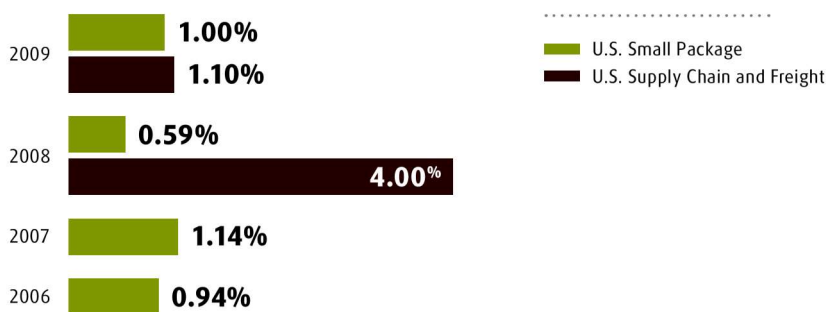
	2006	2007	2008	2009
<b>U.S. Package Operations</b>	<b>33</b>	<b>49</b>	<b>82</b>	<b>75</b>
<b>U.S. Supply Chain And Freight</b>	<b>N/A</b>	<b>26</b>	<b>17</b>	<b>38</b>

Spills that meet criteria of being federal or state reportable. (See scope and boundary section)

#### KEY PERFORMANCE INDICATOR

Penalties as a percent of Total Environmental Inspections—U.S. Package Operations, U.S. Supply Chain and Freight

### Penalties remain low.



Environment related fines paid (US) as a percent of total environment related agency inspections. (See scope and boundary section)

#### AGENCY ENVIRONMENTAL INSPECTIONS.

In 2009, U.S. federal and state environmental agencies conducted 980 environmental inspections at UPS facilities in the United States. Inspections in our U.S. Domestic Package Segment increased 19 percent compared to 2008, to 804 inspections. Of the 804 inspections, 53 resulted in a notice of violation and 8 penalties totaling US\$21,106. Our Supply Chain and Freight segments saw a 40 percent increase in inspections compared to 2008. Of the 176 inspections conducted, 28 resulted in a notice of violation and two penalties totaled US\$7,155.



To read related highlights, visit pages 7, 11 and 17

## Compliance

As stated above in “Management Approach,” our policy is to comply with all applicable laws and regulations of all countries in which we operate, and in accordance with our company’s high standards of business conduct. This is the policy stated in our Code of Business Conduct, which governs all employees and representatives of UPS. Important additional information is provided in “Policy” on page 52.

With regard to the environment, our commitment goes beyond compliance—we actively advance our own programs to reduce our impact on the environment. Everyone who is part of the UPS organization is expected to support our effort to maintain a leadership role in protecting the environment.

Through our Corporate Environmental Affairs Department, we have established site—and activity—specific environmental compliance and pollution prevention programs to address our environmental responsibilities. We continually evaluate improved technology and seek opportunities to improve environmental performance. Our environmental responsibilities include:

- properly storing, handling, and disposing of hazardous and other waste.
- managing wastewater and storm water in compliance with applicable regulations.
- monitoring and maintaining the integrity of underground storage tanks.

- complying with laws regarding clean air.
- protecting against and appropriately responding to spills and releases.
- seeking ways to minimize waste and prevent pollution.

In addition, we must provide timely, truthful, and accurate information required in connection with applications for environmental permits and other reports called for under permits or regulatory requirements.

### INCIDENTAL SPILLS.

Reportable spills in the U.S. increased to 113 incidents in 2009 from 99 in 2008. While spill incidents declined in our U.S. Domestic Package segment compared to 2008, incidents in the Supply Chain and Freight segment increased. The total spill volume from reportable spills in 2009 was 3,973 gallons. Spills due to accidents involving UPS vehicles in all segments increased to 36 from 27 a year ago, and spills related to human error increased from 2 to 12. These increases were partly offset by a reduction in spills from equipment failures on vehicles, which fell from 29 in 2008 to 21 in 2009. This improvement resulted in part from steps we took in 2009 to prevent leaks or breaks in fluid lines, fluid reservoirs, and radiators.

Outside the U.S., we conduct spill management programs as part of implementing our Global Environmental Standards Manual, which is patterned on the ISO 14001 environmental standard.

## Biodiversity

In 2009, UPS cooperated fully with the Animal and Plant Health Inspection Service (APHIS) of the United States Department of Agriculture to prevent the inadvertent spread of the Japanese beetle to the western United States via air transport. The beetle is a highly destructive plant pest that attacks more than 300 different ornamental and agricultural plants including foliage, flowers and fruits. It is already established in the eastern United States and now represents a significant threat to nine large western states. We ensure access for authorized inspectors to our air hubs, aircraft and related facilities, and are following the guidelines provided by APHIS to U.S. domestic air transport operators.

## Policy

UPS environmental policy is set forth in several statements, including a high-level Environmental Policy and a set of Environmental Guidance Statements. These statements are presented on page 52. Implementation of our policy is described below in “Training and Awareness” beginning on page 53 and in “Monitoring and Follow-Up” on page 53.



To read related highlights, visit pages 7, 11 and 17

## UPS Environmental Policy and Guidance Statements

### *WE STRIVE TO PROTECT THE ENVIRONMENT FOR OUR PEOPLE AND THE COMMUNITIES IN WHICH WE OPERATE.*

*We conduct our business and operations with consideration for their environmental impact. Our responsibility for the environment ranges from the construction, maintenance, and operation of our facilities, to the maintenance and operation of our vehicles and aircraft, to the conservation of resources.*

*In an effort to maintain a leadership role in protecting the environment, we continually evaluate improved technology and seek opportunities to improve environmental performance. All our people are responsible for pollution prevention and for compliance with applicable environmental laws and regulations.*

### **ENVIRONMENTAL GUIDANCE STATEMENTS**

These Environmental Guidance Statements provide explicit guidance for managing our environmental affairs. They serve as objectives from which more detailed environmental performance goals can be set that benefit our customers, our company and our environment.

### *ENVIRONMENTAL COMPLIANCE.*

We will conduct our environmental compliance program in accordance with UPS's Business Conduct and Compliance Program, including auditing and monitoring to ensure compliance with applicable laws, regulations and company requirements and prompt correction of deficiencies.

### *AIR EMISSIONS.*

We will evaluate the emissions from our facilities, vehicles and aircraft, and strive to reduce them. We will promote the use of clean fuels in our vehicles, taking into consideration emerging regulatory requirements, cost-effective technologies and the engagement of sound business opportunities.

### *RESOURCE CONSERVATION.*

We will monitor the use of electricity, fuel, and water at our facilities and seek opportunities to conserve their use. We will strive to improve the fuel efficiency of our vehicles and aircraft through preventive maintenance, technology applications, and fuel conservation practices.

### *WASTE MANAGEMENT.*

We will reduce waste through source reduction, reuse, and cost-effective recycling. We will reduce waste from damaged packages by recommending packaging improvements to customers when appropriate, and continually improving package handling. We will seek opportunities to purchase recycled and recyclable products of acceptable quality. We will responsibly dispose of waste remaining from our business and operations.

### *PETROLEUM STORAGE SYSTEMS.*

We will maintain systems with high standards for corrosion protection, spill, and overfill prevention and release detection. We will maintain spill contingency plans and regularly monitor our systems for product releases. We will respond to releases of product without delay, assess the environmental impact, and take appropriate remedial action.

### *POLLUTION PREVENTION.*

We will maintain Pollution Prevention Practices in our business and operations. We will responsibly control discharges of water from our facilities.

### *TRAINING.*

We will identify training needs for achieving our Environmental Policy and Guidance Statements, and provide appropriate training for our people.

### *SUSTAINABILITY.*

We continue to review all aspects of our business, including: systems, procedures, equipment and operating processes. These efforts are being developed in tandem with our plans for growth and profitability. Our plan includes:

- Transportation network optimization to minimize the miles driven/ flown
- Investments in fuel-saving technologies to reduce our dependency on fossil-based fuels
- Energy conservation via facility design, operational practices, renewable energy and retrofitting

All these measures include both ongoing and new initiatives for the entire enterprise. We utilize technology-enabled, behavior-based and engineering-based approaches to address our environmental footprint



To read related highlights, visit pages 7, 11 and 17

## Organizational Responsibility

Organizational responsibility for executing our environmental policies and management approach as outlined above rests with Bob Stoffel, Senior Vice President for Supply Chain, Strategy, Engineering, and Sustainability. Mr. Stoffel is a member of the Management Committee, which is responsible for setting and executing all UPS policy. Responsibility for managing all sustainability initiatives and strategies, including performance metrics, rests with Steve Leffin, Director, Global Sustainability. In addition, further accountability for specific performance metrics rests with managers of the relevant business units and departments throughout UPS.

## Training and Awareness

UPS has a strong culture of training and awareness regarding all aspects of its operations. In addition to formal programs and responsibilities we encourage all employees to raise awareness about issues and opportunities for improving our environmental performance. Below are some examples of formal programs,

priorities and structures for environmental training and awareness.

### ENVIRONMENTAL COORDINATORS.

UPS has environmental coordinators throughout its operations. Their role is to monitor and maintain compliance with environmental regulations, to train other operational personnel and to raise awareness in regards to all environmental aspects of our operations. Training programs to assist the environmental coordinator cover a wide range of topics, including, among others:

- air quality
- automotive environmental procedures
- hazardous waste management
- spill response plans
- underground storage tanks

### DECISION GREEN.

UPS encourages all employees to consider the environment in all decisions, whether it involves the simplest office task or a multi-year capital investment. Our enterprise-wide communication platform for this effort is known as Decision Green<sup>SM</sup>. We refer to Decision Green when communicating to customers and employees worldwide, both to increase the consistency and impact of our messages relating to environmental issues and to emphasize that any one activity is part of a larger ongoing effort to consider the environment in everything we do. Decision Green has led us to change many behaviors at UPS, from how often we print documents to how we develop new products and services. To make sure such behavior

change is as widespread as possible, we maintain a section of the employee intranet devoted to the countless ways that employees can become more environmentally minded both at work and in their personal lives. In particular, the site encourages employees to share ideas with each other.

### FUEL EFFICIENCY TRAINING AND AWARENESS.

From the time delivery drivers are hired at UPS until they move into other positions or retire, they receive training in how to operate their vehicles for maximum fuel efficiency and minimum emissions. In addition to formal training sessions drivers may be given periodic updates on their fuel efficiency performance as measured by our telematics program (described on page 41).

## Monitoring and Follow-Up

UPS has in place an extensive Environmental Management System (EMS) in the United States for monitoring environmental performance and following up on issues and opportunities that may arise from monitoring activities. Our EMS is not certified to the ISO 14001 standard, yet we believe that it is comprehensive and respects all of the principals of ISO 14001.

Our EMS provides guidance to our plant engineering staff regarding their

responsibilities for regulatory and waste minimization programs. We have 440 full-time equivalent employees whose responsibilities include carrying out our environmental programs, processes and activities in accordance with regulatory and UPS-specific requirements (See “Environmental Coordinators” above). Our training and auditing programs identify areas for improvement and outline strategies for achieving it. We devote a number of KPIs to compliance topics, and these are discussed above in “Compliance” beginning on page 51.

Our international environmental programs are guided by our Global Environmental Standards Manual, which is patterned on the ISO 14001 structure. As of the end of 2009, we have implemented the programs specified in the Manual in 25 countries where UPS directly provides services. We expect to continue implementing the standards in other countries in 2010 and beyond.

## Additional Contextual Information

### Work in Progress

At the end of 2009, we were involved in a number of activities that we expect to report on in our 2010 Report.

### EXPANDING TELEMATICS.

Our plans for 2010 include activating more than 2,600 telematics units already installed in vehicles, and installing more than 8,000 new telematics units. This will complete Phase 2 of our telematics deployment, bringing us to over 24,000 delivery vehicles equipped with the technology (37% of our U.S. fleet). More information on telematics is on page 41.

### INCREASING PUBLIC POLICY ENGAGEMENT.

In 2010, we expect to join major international organizations known for their positive influence on environmental public policy and sustainability, including the World Business Council on Sustainable Development (WBCSD) and the Global Reporting Initiative (GRI).

## Risks and Opportunities

### REGULATORY RISK.

Regulatory Risk. As one of the world’s largest transportation companies, UPS acknowledges that both fossil-fuel dependence and carbon emissions pose a major long-term threat to the environment and to the global economy, and that society may respond to these threats with new or additional regulatory structures. For example, the European Union’s inclusion of airlines in its emissions trading scheme (ETS) in 2012 is an example of how carbon regulation has implications for transportation companies. Groups within UPS that monitor regulatory developments related to climate include:



To read related highlights, visit pages 7, 11 and 17

- our corporate risk management team,
- our public affairs offices in Washington D.C., in Brussels, Belgium and various other locations around the world,
- the sustainability department within engineering, and
- UPS Airlines

The primary environmental regulatory risk for UPS is the imposition of cap-and-trade or carbon taxation regulations at the international, national or state level. This risk may be increased by differences and inconsistencies in the implementation of regulatory mechanisms around the world. Compliance with these new regulations will drive additional costs into our global network, which in turn could affect the cost of our services for our customers. Statutory emissions limits driven by cap-and-trade systems may substantially increase the costs associated with using fossil fuels, and therefore the profit and growth of companies without sound strategies for a low-carbon future. UPS has extensive experience with transportation efficiency and implementation of low-carbon fuels. Specific actions taken to address risks and create opportunities are too numerous to include in this document. Please visit [ups.com/environment](http://ups.com/environment).

**PHYSICAL RISK.**

Our primary physical risk related to climate change is the potential impact on commerce and revenue generation caused by climate disturbances and weather disasters, particularly in densely populated areas where we

conduct a substantial portion of our business. We have operational contingency plans in place to deal with such episodic disruptions; the scale of our network (more than 3,000 facilities) allows for quick operational changes and gives us the flexibility to recover promptly from regional climate disasters.

**OTHER RISK.**

Other risks to UPS related to the environment include revenue and profit risk, competitive risk, and reputational risk:

- Significant fuel and energy cost increases can impact customer demand for services, including their transport modal choice. This can impact profitability of premium services.
- Fuel and energy related disruptions can have significant impacts on our ability to provide transportation services.

**OTHER OPPORTUNITIES.**

- Shifts in attitudes and demands could represent competitive opportunity as demand for carbon-efficient transportation and supply chain carbon footprint analysis. We are aware of these shifts in consumers attitudes and demands, fulfilling such requests with current capabilities, and enhancing our abilities to provide even more solutions, products and services for our customers who are seeking greener supply chains.

- Reputational risks may arise due to customer or public perception related to UPS’s significant use of fossil fuels. We believe this risk is minimal because our past actions, present course and strategic direction all demonstrate continuing leadership in our industry.

**REGULATORY OPPORTUNITIES.**

We believe that regulation related to the environment, and particularly to climate change, presents opportunities for UPS.

- Imposition of cap-and-trade or carbon taxation regulation, as mentioned above, is likely to lead to increased customer demand for efficient shipping services, carbon neutral offerings, supply chain services, and other capabilities in which UPS has long invested and continues to lead its industry. Our ability to meet these needs now and demonstrated ability to develop new solutions in this area may increase our competitive advantage.
- Increased public concern regarding climate change increases the possibility of public/private partnerships for, and increased private investment in, development of alternative fuels and technologies. Such financial commitments from other parties and organizations could enable UPS to benefit disproportionately due to our more advanced ability to incorporate such fuels and technologies into our existing operations.



## Workplace

To read related highlights, visit page 15

### Management Approach

UPS is a labor-intensive service business. A large proportion of our non-management workers—including our delivery drivers—are responsible for operating vehicles, equipment and information technology tools at a high level with minimal supervision. To succeed, they must be physically fit, mentally alert, fully committed to safety, and able to maintain a positive attitude toward customers and co-workers at all times.

Furthermore, because we work all over the world, in communities at every level of the socioeconomic scale, our workforce is diverse by nature. Around the world, we operate our own local subsidiaries or form partnerships with local companies that are willing and able to meet our standards for employment, service quality, and compliance.

Our approach to employment is therefore a critical strategy in which we seek talented people to work for us and then invest substantially in training and educational opportunities to increase their capabilities even further. It would be against our own interest—as well as contrary to our policies, history and culture—to discriminate against any

employee based on factors such as race, gender or sexual preference.

#### EMPLOYMENT.

UPS is one of the world's largest employers, public or private. While we have long used technology and automated equipment to facilitate commerce, there is no substitute for people when it comes to meeting our customers' needs. Because so much of our work comes in bursts of activity at the beginning and end of the business day around the world and during holiday seasons, we have a large part-time workforce, a total of 186,000 people at the end of 2009.

Our century of reliance on the people who make up our workforce has produced a strong commitment to value individuals and develop them as both workers and people. This commitment includes multiple dimensions: fair compensation, high-quality training, opportunities for education, open doors for promotion, and encouragement to become share owners of UPS. All these are matters of policy and tradition at UPS, and are discussed as such in the relevant paragraphs below.

#### LABOR/MANAGEMENT RELATIONS.

Because of our policy of promoting from within, approximately 77% of UPS managers began their careers in non-

management jobs with the company. We believe this is one of the reasons we have successful, stable relationships with our employees, more than 76 percent of whom hold jobs that are represented by a collective bargaining organization. For example, UPS is the world's largest employer of members of the International Brotherhood of Teamsters. We respect the unions to which our people belong, maintain open channels of communication with them, and bargain in good faith on all matters that involve them.

#### OCCUPATIONAL HEALTH AND SAFETY.

The health and safety of our employees is a primary management concern. This stems from the investment we make in each employee in terms of compensation, education and training as well as our reliance on them for keeping our service agreements with customers and business partners. We therefore jointly develop and operate programs with our employees and our unions for extensive safety training and reward excellence in safe job performance. In 2009, for example, we allocated approximately 35 percent of our training budget to safety. Further information on safety is provided on page 57. In addition, we continue to develop and offer a variety of healthcare, health awareness and health management options for our

workers. This aspect of our commitment to employee health is described in more detail on page 57.

#### TRAINING AND EDUCATION.

UPS conducts one of the private sector's most extensive employee training programs and also provides substantial support for employee education. In 2009, UPS allocated US\$368 million on training and education. We also encourage all management employees to continue their career development and job-related education, in part during career development discussions. Approximately 96% percent of UPS management employees receive such reviews. More information on training and education is provided on page 56.

#### DIVERSITY AND EQUAL OPPORTUNITY.

UPS complies with all applicable laws and regulations regarding diversity and equal opportunity, in every country and community in which we operate. Beyond that base-line requirement for a responsible business, we strive to increase our diversity, particularly among management employees, to match the composition of our customer base and the talent pool from which we recruit. We believe that diversity and equal opportunity are good for UPS, and that our employees should reflect the diversity of the communities where we

operate. We act on these beliefs as a matter of policy.

### Goals and Performance

At UPS, we devote two of our Key Performance Indicators (KPIs) to broad measurements of employee satisfaction. We value these metrics highly because our business is so dependent on people and the training we invest in them. The first KPI measures full-time employee turnover. Our goal was 14 percent in 2009, and actual turnover was 7.4 percent (see chart.) In addition to economic conditions, we believe that this low level of turnover results from working conditions, compensation and benefits that give employees incentives to remain with UPS as long as possible. Unlike many other companies, we did not resort to job cuts as a primary cost-reduction measure when business cycles turn negative; instead we look for ways to minimize job loss.

The data for our second employee satisfaction KPI comes from our Employee Relations Index (ERI), which in turn comes from an annual employee survey. The survey includes a set of questions focused on UPS as an employer of choice. The data from 2009 indicated that 70 percent of UPS employees



To read related highlights, visit page 15

consider the company an employer of choice (see chart).

## Policy

### COMPENSATE FAIRLY.

It is UPS policy that a competitive workplace compensation and benefits package is essential to attract and retain good workers. More information on our workplace programs are provided on page 57.

### TRAIN EFFECTIVELY.

We allocated more than US\$350 million to employee training in 2009, above the previous five-year average of US\$362 million. As in the past, a substantial amount of this investment was in training for safety on the job. Additional contextual information on training is provided below.

### PROVIDE OPPORTUNITIES FOR EDUCATION.

Tuition assistance is available to full-time and a substantial number of part-time employees. In particular, college students are an important source of part-time workers for UPS. They constituted 62 percent of our newly hired part-time employees in 2009, compared to 59 percent in 2008. To help them balance work and school, our Earn and Learn program provides tuition assistance while they work part-time at UPS. In 2009, we provided US\$27 million in tuition support to approximately 21,000 students working in 90 locations. Since the program began in 1999, we have invested US\$163 million in tuition

assistance for approximately 110,000 college students.

### PROMOTE FROM WITHIN.

UPS has promoted from within for generations. This includes

- part-time workers moving into full-time positions;
- non-management employees moving into management positions; and
- supervisors and managers moving into positions of greater responsibility.

Well over 58 percent of our current full-time drivers were once part-time employees, and more than 77 percent of our full-time managers (including most vice presidents) were once non-management employees. In 2009, 1,866 part-time employees advanced to full-time work with UPS, and 1,849 employees moved into management for the first time. Additionally, at UPS the trend is to develop local employees to manage and grow our international operations rather than send people from other countries. In 2009, less than one percent of our global managers were working outside their home countries.

### ENCOURAGE OWNERSHIP.

UPS was privately owned primarily by its employees during its first 90 years. Employees began sharing the benefits of stock ownership in the 1920s. We became a public company in 1999. Today we offer multiple stock ownership programs for employees, including, in some countries, a discounted stock purchase plan. In 2009, approximately 43 percent of full-time employees were shareholders.

## Organizational Responsibility

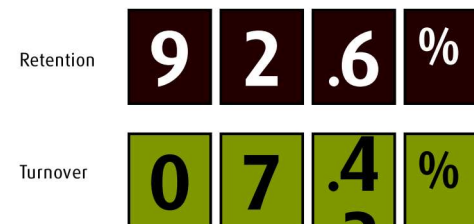
Organizational responsibility for executing our human resource policies and management approach as outlined above rests with Allen E. Hill, Senior Vice President, Human Resources. Mr. Hill is a member of the Management Committee, which is responsible for setting and executing all UPS policy.

## Training and Awareness About Workplace Issues

Because of our decades-old policy of promoting from within, approximately 77% of UPS managers began their careers in non-management jobs with the company and have worked in multiple organizations within the company. This includes members of our Management Committee, the most senior management body at UPS. Our managers are thus aware from personal experience of the full range of issues related to fair employment and human rights on the job. We supplement this experience with systematic training of our management employees, and we provide all employees worldwide with a 24-hour "Help Line" that enables them to anonymously report their concerns about all on-the-job issues.

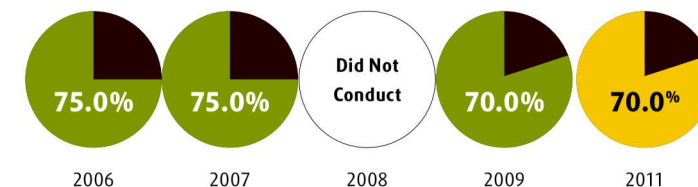
### KEY PERFORMANCE INDICATOR Employee Turnover—Global Workforce

Turnover goal achieved.



Percent of all full-time employees who leave our company annually.

### KEY PERFORMANCE INDICATOR Employer of Choice Index—Global Operations



Legend:   
■ Actual Data   
■ Goal

A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, and motivates employees.





To read related highlights, visit page 15

## Monitoring and Follow-Up

We conduct regular internal monitoring of how our employment policies and practices are followed around the world. One of our primary monitoring programs is our annual employee relations index (ERI), which results from a systematic survey of a representative set of employees at all levels and locations of the company. We did not conduct this survey in 2008, so that we could update the questions to ensure they are relevant to changes in our business, accurately reflect the opinions of our employees, and measure the engagement of our employees. The survey resumed in 2009. The ERI is reported back to all employees and also to management, up to and including the UPS Management Committee. As described on page 56, we use a subset of the ERI for our annual KPI on employee satisfaction.

UPS is externally monitored by numerous outside stakeholder groups. In 2009, for example, UPS was positively evaluated for its performance regarding equal opportunity, diversity, human rights, and other employment issues by:

- Publications and publishers including *Black Enterprise* magazine; Diversity-Business.com; *Diversity Plus* magazine; *Expansion* magazine; *Hispanic Business* magazine; *PINK!* magazine; *Profiles in Diversity Journal*; *Woman Engineer* magazine; and The Career Communications Group, publisher of *US Black Engineer & Information Technology*, *Hispanic*

*Engineer & Information Technology* and *Women of Color* magazines.

- Business groups including National Minority Supplier Development Council (NMSDC); GHCC (Georgia Hispanic Chamber of Commerce); Greater Women's Business Council (GWBC); Tri-State Minority Supplier Development Council (TSMSC); and Women's Business Enterprise National Council (WBENC).
- Regulatory agencies including the Georgia Department of Labor.
- Interest groups including Human Rights Campaign (HRC); Workforce Strategy Center (WSC) of the Bill and Melinda Gates Foundation; The Leadership Institute for Women of Color Attorneys; YWCA; National Urban League and the American Diabetes Association.

## Additional Contextual Information and Performance Indicators

In the paragraphs below, we present statistical information and discuss performance indicators related to the workplace strategies and policies discussed earlier in this section.

### OUR FOCUS ON SAFETY.

Approximately 82 percent of UPS workers are involved in freight and package handling, driving motor vehicles, or both. To perform these jobs safely, people need specific skills and abilities that maximize their performance while minimizing their exposure to injury.

In 2009, we allocated US\$83 million in teaching 65 formal safety training courses in more than 1,800 facilities. Our workers allocated approximately 2 million hours in safety training in 2009.

Because we operate more than 95,000 delivery vehicles on a daily basis all over the world, safe driving is a major focus for UPS. We measure both our successes and challenges in this regard. On the positive side, for example, 925 more drivers entered the UPS "Circle of Honor" in 2009 in recognition of driving 25 years without an avoidable accident. The Circle of Honor now includes 4,836 drivers who have achieved this remarkable record. Unfortunately, we also deeply regret the fatal auto accidents that claimed the lives of 9 UPS employees in 2009. Whenever an accident occurs, we invest significant management attention in investigating the causes, retraining the driver(s), and, as appropriate, changing our procedures and safety training.

In addition to training our people, we continually increase the safety of the facilities they work in and the equipment they use. Many of the ideas for these improvements and upgrades come from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,900 CHSP committees in UPS facilities worldwide, run primarily by hourly employees with management support. The CHSP committee framework is designed to include approximately 10% of the workforce. In addition to the CHSP process,

more than 350 employees at UPS work full time to protect the health and safety of UPS employees.

### AVOIDING INJURY.

We have reduced injuries in the United States by 52 percent in the last five years. This success in avoiding injury is shown in the chart on page 58. More importantly, we wanted our KPI to reflect the actual impact of injuries on our business—time lost rather than simply the number of injuries.

### WELLNESS.

In 2009, UPS provided health benefits for more than 823,000 employees, retirees, and their dependents. Our benefits programs provide medical, dental, and vision care as well as education programs and tools regarding healthcare and proactive wellness programs. The goal of these programs and tools is getting our people to take wellness personally, by making informed choices in how they live and respond to wellness challenges.

We also seek to reduce overall healthcare costs for UPS. One of the characteristic qualities of UPS wellness programs is an emphasis on matching employees with individuals who can help them.

- Our "health coaches" program gives UPS employees access to registered nurses who provide confidential assistance in understanding healthcare issues and navigating the healthcare system; health coaches helped more than 11,500 UPS employees and family members in 2009.

- Our "Wellness Champions" program designates approximately 3,600 UPS employees at all levels of the company as a Wellness Champion in their facility or location, and supports them with tools and resources for informing their co-workers about health risks and encouraging them to adopt new behaviors to prevent or offset them.

Especially during difficult times, our Employee Assistance Program (EAP) and Work/Life benefits play a significant role in our overall wellness program. More than 350,000 UPS employees and/or household members have benefited from the program since its inception in 2006. The program 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. In the transportation industry, companies that offer these benefits—including UPS—find that participants report a 36 percent increase in attendance and a 51 percent increase in productivity.

### WOMEN'S LEADERSHIP DEVELOPMENT.

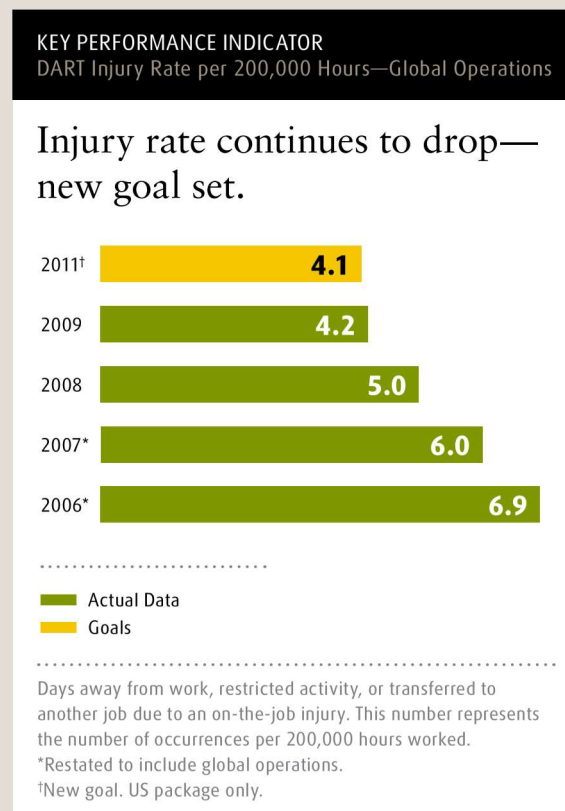
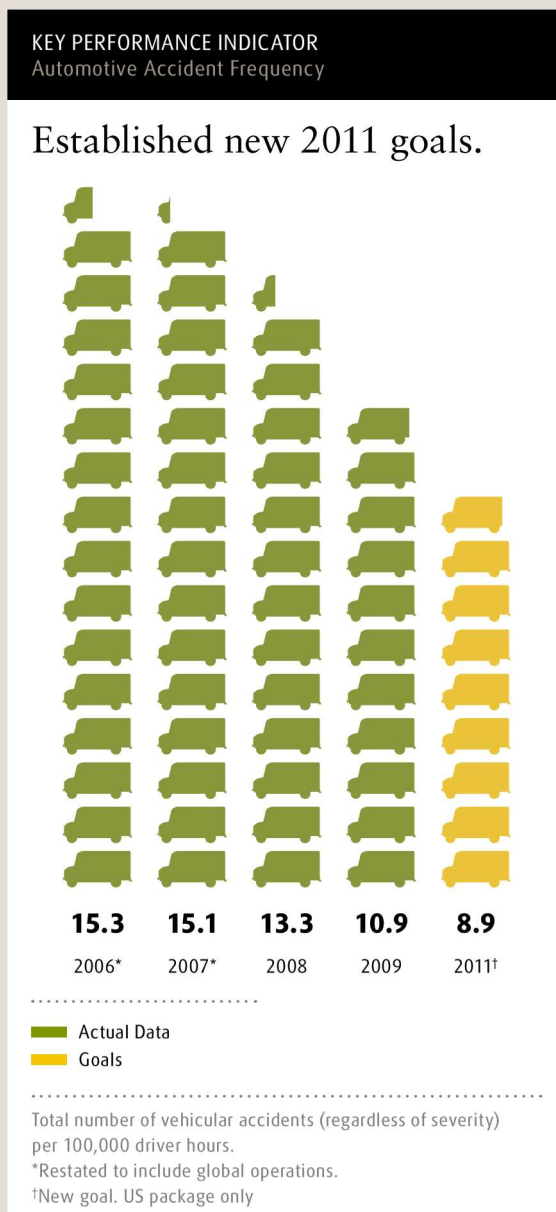
Entry-level positions in our business, such as for drivers and package loaders, have traditionally attracted more men than women. Coupled with our focus on promoting from within, this has created a particular need for UPS to develop and retain women for supervisory and management positions. Our Women's Leadership Development program, which we expanded internationally in 2009, meets this need in three ways:

 To read related highlights, visit page 15

- Creating meaningful dialogues between women and men regarding workplace issues.
- Opening avenues for women to build their leadership skills through community service.
- Providing opportunities for women to expand and strengthen their career networks.

**EFFECT OF THE RECESSION.**

Much of the global economy was in a recession or dealing with its consequences in 2009. This had a strong effect on our revenue, operating profit and growth plans. To minimize the effects on our employees and avoid layoffs, we froze hiring and compensation increases during the year. During the year, our workforce reduced naturally, through retirements and job changes by employees. We also suspended the 401(k) matching program under which UPS would have given employees additional incentive to retain earnings in their retirement account. We also suspended matches for employee charitable giving other than United Way and cut back on management training, all in an effort to minimize job loss as a result of the recession.





To read related highlights, visit page 15

## Human Rights

### Management Approach

For most of its first century in business, UPS's high regard for human rights was simply lived out in practice. When we created a formal Code of Business Conduct, our value for human rights was implicit in it. In 2009, we formally adopted a Human Rights Statement for the first time, in response to two trends.

The first trend is the growing value of explicit recognition of human rights by well-known, widely respected global organizations. Even though respecting human rights has not been an issue for UPS itself (because of the nature of our business, the kind of people we hire, and our strong culture of developing individuals as people and workers), we understand that society as a whole benefits when organizations such as UPS publicly support global efforts to protect human rights.

Second, UPS has been expanding internationally from its base in the United States. Because we seek to support local suppliers, particularly small and diverse businesses, with procurement opportunities, our international expansion means we are engaging with new suppliers in many countries around the world. We want to ensure that our supply chain partners share our regard for human rights, and it is therefore

valuable to be able to refer to an explicit Human Rights Statement in our dealings with them.

### Policy

Our Human Rights Statement is incorporated into our Code of Business Conduct, which is available online with our other governance documents at [www.investors.ups.com](http://www.investors.ups.com). The relevant excerpt is provided in this Report on page 16. The language of the statement is closely modeled on that used by the United Nations Global Compact. In addition, we added new human rights language to the UPS Policy Book, and began including language relating to human rights compliance to key contracts with suppliers outside the United States. However, all major suppliers must comply with the UPS Code of Business Conduct, which now includes human rights language.

### Organizational Responsibility

Organizational responsibility for monitoring and enforcing performance related to our human rights policies rests with Allen E. Hill, Senior Vice President, Human Resources. Mr. Hill is a member of the Management Committee, which is responsible for setting and executing all UPS policy.

## Human Rights Performance Indicators

### INVESTMENT AND PROCUREMENT PRACTICES.

We do not currently report the percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. All existing employees of UPS receive training on the Code of Business Conduct. Human Rights language was added to the Code of Business Conduct in October, 2009. All new employees receive this training when they are hired. In addition, the Code of Business Conduct is available on our employee website in 13 languages.

### NON-DISCRIMINATION.

We do not currently report the total number of incidents of discrimination and actions taken.

### FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING.

In 2009, we identified no operations in which the right to exercise freedom of association and collective bargaining were at significant risk. In contrast, we support the rights of our employees to become members of a union, and 76 percent of our employees have exercised that right. In addition, we encourage positive relationships with our employees and unions by adhering to the principles outlined in our Policy Book and our collective bargaining agreements.

### CHILD LABOR; FORCED AND COMPULSORY LABOR.

We are not aware of any incidents, violations, complaints, or concerns in its operations involving the use of child labor or forced or compulsory labor. We manage our business in compliance with all applicable laws and regulations of the countries in which we operate, and in accordance with our own Code of Business Conduct.

### SECURITY PRACTICES.

100% of UPS's security personnel receive training on the proper use of force.

### INDIGENOUS RIGHTS.

We are not aware of any incidents of violations involving the rights of indigenous people.



## Community

To read related highlights, visit page 13

### Management Approach and Performance Indicators

#### COMMUNITY.

UPS has always operated from the belief that strong communities are essential to the long-term success of the company. Our employees live in the cities, counties, provinces, states, territories and countries that we serve; our drivers daily visit countless neighborhoods where people live and work. With the rise of online commerce, we are engaging with individuals and small businesses at a greater rate than ever before. So for us, “community” and “society” are not abstract concepts. We see society from the ground up, every day, around the world. We manage our business to make a positive difference in society both in the way we operate commercially and the way we give back to our communities with money and volunteer time.

Our primary business impact on society is aggregating the shipping activity of millions of organizations and individuals into a single, highly efficient logistics network. In 2009, for example, we estimate that approximately 2 percent of global GDP passed through our network.

Aggregating logistics into dedicated networks such as UPS’s makes global commerce more efficient in terms of time, money and environmental costs. The benefit of this efficiency increase has historically been difficult to measure. In 2009 we invested significant effort in systems and methods for measuring our carbon efficiency and its indirect benefit to customers, and we provide information on our progress and leadership in “Environment” beginning on page 31.

We have a number of additional positive impacts on society through the operation of our business. Three of the most important are procurement contracts, finance, and logistics. This is particularly important for small and diverse businesses, which make up a majority of the world’s importers and exporters.

UPS spent more than US\$1.6 billion with small and diverse businesses in 2009, compared to US\$1.3 billion spent in 2008. This represents 10 percent of our total U.S. procurement spend (excluding categories that do not have small or diverse vendors). We actively support organizations whose mission is to support small and diverse businesses, including:

- National Association of Women Business Owners
- Minority Business Development Agency
- National Gay and Lesbian Chamber of Commerce
- National Minority Supplier Development Council
- National Urban League
- National Veteran-Owned Business Association
- Native American Business Alliance
- U.S. Hispanic Chamber of Commerce
- U.S. Pan Asian American Chamber of Commerce
- Women’s Business Enterprise National Council

Internationally, we are actively exploring ways to increase our focus on diversity and inclusion in ways that are germane to our employees and the communities in which we operate.

Our financing subsidiary, UPS Capital®, helps small and diverse businesses finance trade and get access to government-backed loan programs. UPS Capital also provides trade financing to small and medium enterprises, helping to mitigate the risks of trading internationally. Through The UPS Foundation, we support two micro-lending organizations

that help individual entrepreneurs start businesses, create jobs, build assets and improve the standard of living for their families:

- Opportunity International is helping nearly 1.2 million active loan clients and entrepreneurs in 27 developing countries.
- ACCION International works with partners in 25 countries to reach more than 3.1 million active clients with loans and financial services.

Our 62,000 retail access points around the world provide small and diverse businesses with local, one-stop access to our global network, including the products, services, and tools they need. In addition, The UPS Store® (with nearly 4,800 The UPS Store and Mailboxes Etc. locations around the world) is a franchise opportunity for small business entrepreneurs.

To complement our positive impacts on society from the operation of our business, we conduct a substantial amount of corporate philanthropy. This includes both direct grants to outside organizations and extensive programs to support volunteer work by our employees. We established The UPS Foundation in 1951 simply to “accomplish good purposes,” in the words of UPS founder Jim Casey.

Over time, The Foundation has evolved our philanthropic giving to meet the changing needs of communities. In late 2008 we updated the strategic priorities for our philanthropy, to achieve greater alignment between the societal issues we are currently addressing and the expertise of our people and UPS as an organization. We describe the work of the Foundation later in “Philanthropy, Volunteerism and Disaster Relief” on page 61.

 Further information is available online at [ups.com/foundation](http://ups.com/foundation).

#### CORRUPTION.

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. Our Code of Business Conduct state policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. UPS is not aware of any allegations of corruption in 2009 from any government agency around the world responsible for oversight of this issue.



To read related highlights, visit page 13

## PUBLIC POLICY.

Along with facing tough competition and the challenges of entering new markets, UPS must continually adapt to new laws and regulations. Legislative and regulatory changes can limit our opportunities for growth, and government policies and legislation often have a deep impact on how we do business. We present our views on these topics to a wide range of policymakers and stakeholder groups, with particular emphasis on the importance of free enterprise, fair competition and global trade. Our venues for making this case include active participation in trade associations, interactions with public officials, submitted op-ed pieces in the media and support for regulatory and legislative action that we believe is beneficial to UPS, our markets and the communities we serve. Our non-partisan political action committee, UPSPAC, enables our U.S. employees to aggregate and channel their political donations to political candidates who support such action. In 2009, UPSPAC donated approximately US\$2.4 million in the United States to candidates at the federal, state, and local levels.

As a sustainability leader in our industry, we invest significant time and energy in bringing elected officials and policymakers to our operations centers so they can learn firsthand how increasing the efficiency of global logistics and transport helps the world economy operate more sustainably. We also publicize innovations, such as our investments in alternative fuel technology and emissions reductions, that can help create

greater awareness of climate change and influence changes in public policy.

## ANTI-COMPETITIVE BEHAVIOR.

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. 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.

In February 2009, UPS received information requests from the European Commission (“the Commission”) relating to its investigation of certain pricing practices in the freight forwarding industry. This request followed similar requests in October, 2007 and June, 2008. We responded to each request. After the close of 2009, UPS received a Statement of Objections by the Commission. This document contains the Commission’s preliminary view with respect to alleged anti-competitive behavior in the freight forwarding industry by 18 freight forwarders, including UPS. The Statement of Objections enables the addressees to respond. Although it alleges anti-competitive behavior, it does not prejudge the Commission’s final decision, as to facts or law (which is subject to appeal to the European courts). UPS intends to present a vigorous defense in this proceeding.

UPS also received and responded to related information requests from competition authorities in other jurisdictions. UPS is cooperating with each of these inquiries. At this time, UPS is unable to

determine the amount of any liability that may result from these matters or whether such liability, if any, would have a material adverse effect on UPS’s financial condition, results of operations, or liquidity.

## COMPLIANCE.

Our policy is to comply with all applicable laws, rules and regulations, in all countries where we operate. The UPS Code of Business Conduct includes policies and procedures that prohibit UPS employees, and the people acting on our behalf, from engaging in unlawful activities, including violations of the U.S. Foreign Corrupt Practices Act and other applicable anti-bribery laws, rules and regulations in various countries. On occasion, UPS resolves routine civil administrative matters and associated penalties when they arise. However, we are not aware of any breaches of compliance that are material to our operations or penalties that are material to company assets.

## Goals and Performance

At UPS, we devote three of our Key Performance Indicators (KPIs) to corporate philanthropy and charitable donations by our employees and retirees. These KPIs are presented and explained in “Philanthropy, Volunteerism and Disaster Relief” below.

## Policy

Our Code of Business Conduct is available online at [www.investors.ups.com](http://www.investors.ups.com) under the “Governance” and “Governance Documents” tabs.



A description of our corporate philanthropy strategy is available online at [ups.com/foundation](http://ups.com/foundation).

## Organizational Responsibility

Organizational responsibility for ensuring our business conduct and compliance policies as described above rests with Teri McClure, Senior Vice President of Legal, Compliance & Public Affairs, General Counsel and Corporate Secretary, 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.

Organizational responsibility for executing our philanthropic policies rests with Ken Sternad, President, The UPS Foundation.

## Training and Awareness

We have trained 97% of approximately 44,000 full-time management employees on anti-corruption practices and the UPS Code of Business Conduct.

## Monitoring and Follow-Up

During 2009, we conducted onsite corruption risk assessments in 13 high-risk countries. We use the information gathered from these assessments to take appropriate measures. Information pertaining to such matters is reviewed and acted on promptly by senior management, up to and including the Management Committee.

## Philanthropy, Volunteerism and Urgent Humanitarian Relief

Philanthropy at UPS is conducted primarily by The UPS Foundation. UPS employees also contribute strongly to the United Way campaign each year in the United States, Puerto Rico and Canada. Both UPS and The UPS Foundation contribute to urgent humanitarian relief efforts around the world. UPS’s philanthropic contributions are described below.

### THE UPS FOUNDATION.

The UPS Foundation directs its financial and non-monetary contributions to organizations that support the changing needs of communities worldwide in one of five areas: Diversity, Community Safety, Environmental Sustainability, Nonprofit Effectiveness, and Economic and Global Literacy. One of our top



To read related highlights, visit page 13


criteria in selecting a grantee organization are recommendations by UPS employees who are already volunteering for the organization. We believe that the combination of financial or in-kind support from the Foundation and hands-on volunteer time from UPS employees significantly increases the likelihood of a positive result for the organization and its constituents.

The UPS Foundation manages its grants globally and locally. In 2009, its global philanthropy totaled US\$44.4 million, including more than US\$786,000 in in-kind support. More than 1,600 non-profit organizations benefited from Foundation philanthropy. Funding directed outside the United States rose to 17 percent of the total in 2009, an increase from 14 percent in 2008 and 10 percent in 2007. Nearly 50 percent of Foundation grants are local in nature, benefitting local communities across the globe, including local agencies supported by UPS employees who volunteered at the agencies' programs or facilities. See the accompanying charts for a multi-year quantitative view of the Foundation's global philanthropy.

One of the Foundation's recent grants enabled UPS to sponsor and develop Road Code<sup>SM</sup>, a safe-driving program for teenagers. In 2009, UPS Road Code<sup>SM</sup> was offered in conjunction with Boys & Girls Clubs of America in ten cities around the United States. The four-session training program is taught by UPS volunteers and based on UPS's own safe driving methods. It features a computer driving simulator and a

"driving" test that enables teens to get immediate feedback on how much they have learned. More than 1,200 teenagers participated in the program in its first year.

The UPS Global Signature Program is a multi-year partnership between The UPS Foundation and the World Association of Girl Guides and Girl Scouts (WAGGGS). Foundation funding has helped WAGGGS increase the recruitment and retention of volunteers, support volunteers through training and self-development, and introduce a system to monitor and appraise volunteer leadership in Brazil, China, Malaysia, Mexico, and South Africa. In 2009, the Foundation approved a new five-year US\$2 million extension with WAGGGS with an emphasis on programs in Brazil, South Africa and India. The grant includes several key initiatives including a leadership development series for exceptional candidates, development of a robust e-Learning training program and global environmental sustainability advocacy programs focusing on carbon reduction and resource conservation.

 Further information on The UPS Foundation, its priorities and its programs is available at [ups.com/foundation](http://ups.com/foundation).

**KEY PERFORMANCE INDICATOR**

Total Charitable Contributions—Global Philanthropy, In-Kind Support and United Way Employee Contributions (U.S. Dollars in millions)

**Charitable Contributions Decreased in 2009.**



**The UPS Foundation: 2009 Programs and Highlights**

- Global philanthropy totaled US\$44.4 million, benefiting more than 1,600 non-profit organizations.
- International grants increased to 17% of total funding.
- Nearly 50% of grant recipients were local community based.
- A Foundation grant enabled UPS volunteers to present Road Code<sup>SM</sup>, a multimedia safe-driving program for teenagers, in ten cities around the United States (this page).
- The Foundation's Global Signature Program, a partnership with Women and Girl Guides and Girl Scouts (WAGGGS), was extended for five years with US\$2 million grant (this page).
- Foundation support continued for micro-lending organizations around the world, including Opportunity International and ACCION International. (page 60).



Complete information on The UPS Foundation is available online at [ups.com/foundation](http://ups.com/foundation).



To read related highlights, visit page 13

**UNITED WAY CONTRIBUTIONS REMAIN STRONG.**

Along with their time, UPS employees donate funds to our annual United Way campaign. More than 229,000 employees participated, in a campaign that raised a total of US\$53.2 million. As a result, UPS was the second-highest corporate contributor to the United Way in 2009 and remains the top corporate contributor to United Way over time, with nearly \$1 billion in total support since the partnership began in 1982. See the accompanying chart for a multi-year quantitative view of United Way contributions by UPS employees and retirees.

**EMPLOYEE VOLUNTEER HOURS.**

UPS employees and their family members contributed 1.2 million hours of volunteer service in 2009. During Global Volunteer Month in October 2009, more than 30,000 people in more than 50 countries donated more than 170,000 hours of their time. The UPS Foundation pledged \$100,000 to community organizations on behalf of 10 UPS employees who participated in Global Volunteer Month community service projects. The number of hours of volunteer time in 2009 held steady, despite the fact that our workforce was smaller than in recent years.

**URGENT HUMANITARIAN RELIEF EFFORTS EXPAND.**

Each year, UPS provides both funding and expertise to agencies providing urgent humanitarian aid and disaster relief around the world. In 2009, The UPS Foundation announced a multi-year initiative to improve the capabilities of relief organizations to respond to global emergencies. This commitment includes UPS support for the world’s most respected relief organizations, including the American Red Cross, UNICEF, the World Food Programme, CARE, and the Aidmatrix Foundation.

In addition to Foundation activities, UPS as a whole continued to expand its international humanitarian relief role. For example, we became a member of the American Red Cross Annual Disaster Giving Program in 2009, and hosted joint training with other logistics companies for the Logistics Emergency Teams (LETs) program that we helped launch in cooperation with the United Nations. Our LETs responders supported the World Food Programme following devastating floods in the Philippines and a massive earthquake on the island of Sumatra in Indonesia. Our growing experience in disaster relief in 2009 positioned us to begin responding within hours of the major earthquake that struck Haiti in the early days of 2010, pledging and providing both financial aid, skilled volunteers and in-kind support.

**Total In-Kind Transportation Movements—Global**



Charitable Contributions (in millions)

**Total United Way Donations**



Charitable Contributions (in millions)

**UPS Volunteer Hours**

Activity	% OF TOTAL
Board Activities	8.0%
Coaching & Recreational Activities	24.6%
Fundraising, Conferences & Special Events	22.8%
Health & Wellness	8.0%
Renovation, Revitalization & Repair	7.6%
Teaching, Training & Tutoring	14.9%
Other	14.1%
	100.0%

Total UPS Volunteer hours include hours volunteered by Employees, Retirees, Family and Friends in the United States, Canada, and Puerto Rico.

# GRI Index



**LEGEND:**

- Fully Reported
- Not Reported
- ◐ Partially Reported
- N/A Not Applicable to UPS

G3 Indicator	Description	2009 Response	
<b>STRATEGY &amp; ANALYSIS</b>			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its's strategy	Letter from the Chairman, p.4	●
1.2	Description of key impacts, risks and opportunities	Letter from the Chairman, p.4; Profile, p.24; Environment; p.53	●
<b>ORGANIZATIONAL PROFILE</b>			
2.1	Name of Organization	Cover	●
2.2	Primary brands, products, and/or services.	Profile, p.24; 2009 Annual Report, p.4-5; Form 10-K, p.5; investors.ups.com	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Profile, p.24; 2009 Annual Report, p.4-5; Form 10-K, p.2-4; investors.ups.com	●
2.4	Location of organization's headquarters.	Profile, p.25; 2009 Annual Report, backcover; investors.ups.com	●
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Profile, p.24; Form 10-K, p.2-3; investors.ups.com	●
2.6	Nature of ownership and legal form.	Form 10-K, front cover; investors.ups.com	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2009 Annual Report, p.4-5; Form 10-K, p. 1-5; investors.ups.com	●
2.8	Scale of the reporting organization.	Profile, p.24; 2009 Annual Report, p.3; Form 10-K, p.1; investors.ups.com	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Profile, p.24; 2009 Annual Report, p.3; Form 10-K, p.1; investors.ups.com	●
2.10	Awards received in the reporting period.	Recognition, p.19; pressroom.ups.com/About+UPS/Awards	●
<b>REPORT PARAMETERS</b>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Profile, p.25	●
3.2	Date of most recent previous report (if any).	2008	●
3.3	Reporting cycle (annual, biennial, etc.)	Annual	●
3.4	Contact point for questions regarding the report or its contents.	About this report, p.3	●
3.5	Process for defining report content.	Profile, p.24; Management Approach, p.27, 29, 31, 55 and 60	●
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●



3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Profile, p.24; Environment Reporting Scope and Boundaries, p.35-37	●
3.12	Table identifying the location of the Standard Disclosures in the report.	KPI chart, p.28, GRI chart, p.64-71	●
3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance statement, p.23	●
<b>GOVERNANCE, COMMITMENTS, AND ENGAGEMENT</b>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Governance, p.26	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Governance, p.26	●
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Governance, p.26	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Contact Board page, Investor Relations website, investors.ups.com	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Profile, p.26; Organizational Responsibility, p.53, 56, 61; 2009 Proxy Statement, p.16; investors.ups.com	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Governance, p.26	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Board of Directors includes people with broad knowledge and experience in the area of sustainability; 2009 Proxy Statement, p. 9, investors.ups.com	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Management approach. p.27, 29, 31, 55 and 60	●

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Profile, p.24; Governance, p.26; Corporate Governance, investors.ups.com	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	The Board and its committees perform annual self-evaluations, investors.ups.com	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Climate Change Statement, p.34	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Commitment to external initiatives, p.26	●
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Commitment to external initiatives, p.26	●
4.14	List of stakeholder groups engaged by the organization.	Stakeholder engagement, p.26-27	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder engagement, p.26-27	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder engagement, p.26-27	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Stakeholder engagement, p.26-27	●
<b>ENVIRONMENT</b>			
DMA	Goals and performance	p.35	
DMA	Policy	p.52	
DMA	Organizational responsibility	p.53	
DMA	Training and awareness	p.53	
DMA	Monitoring and follow up	p.53	
EN1	Materials used by weight or volume.	UPS purchased a total of 41,970 U.S. tons of packaging & paper products globally in 2009.	●
EN2	Percentage of materials used that are recycled input materials.	56% of the 41,970 or 23,393 U.S. tons of the packaging materials & office papers purchased are recycled materials. For a breakdown of the percentage of recycled content in all UPS packaging see link at: <a href="http://ups.com/environment">ups.com/environment</a>	●
EN3	Direct energy consumption by primary energy source.	Energy & Emissions, p.38	●
EN4	Indirect energy consumption by primary source.	Energy & Emissions, p.38	●
EN5	Energy saved due to conservation and efficiency improvements.	Energy & Emissions, p.38-39; Telematics, p.41; Air Fleet Efficiency, p.42-43	●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Energy & Emissions, p.38; Automotive Fleet Efficiency, p.21; KPIs, p.38, 39; Telematics, p.41	●

EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not reported	○
EN8	Total water withdrawal by source.	Water, p.49	●
EN9	Water sources significantly affected by withdrawal of water	Not applicable	N/A
EN10	Percentage and total volume of water recycled and reused	Not applicable	N/A
EN11	Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not reported	○
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Biodiversity, p.33, 51	●
EN13	Habitats protected or restored	Not reported	○
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Biodiversity, p.33, 51	●
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not reported	○
EN16	Total direct and indirect greenhouse gas emissions by weight.	Energy & Emissions, p.38	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	Energy & Emissions, p.38	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Energy & Emissions, p.38-39; Telematics, p.41; Air Fleet Efficiency, p.42-43	●
EN19	Emissions of ozone-depleting substances by weight	Not applicable	N/A
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not reported	○
EN21	Total water discharge by quality and destination	Not applicable	N/A
EN22	Total weight of waste by type and disposal method.	Effluents & Waste, p.47	●
EN23	Total number and volume of significant spills.	Compliance, p.51	●
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not reported	○
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Not applicable	N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Energy & Emissions, p.38; Carbon Neutral, p. 8, 46; Automotive Fleet Efficiency, p.21; Air Fleet Efficiency, p.42-43	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not applicable	○
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Compliance, p.50	●
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Not reported	○
EN30	Total environmental protection expenditures and investments by type	Not reported	○

HUMAN RIGHTS			
DMA	Goals and performance	p.59	
DMA	Policy	p.59	
DMA	Organizational responsibility	p.59	
DMA	Training and awareness	p.59	
DMA	Monitoring and follow up	p.26	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported	○
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Less than 3% of Corporate Procurement contracts include human rights language.	●
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Human Rights, p.59	●
HR4	Total number of incidents of discrimination and actions taken.	Not reported	○
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Many of our employees are represented by labor unions and we support their rights to become members of a union. In addition, we encourage positive relationships with our employees and unions by adhering to the principles outlined in our company policy book and our collective bargaining agreements. Workforce, p.59	●
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	UPS manages its business in compliance with all applicable laws and regulations of the countries in which it operates, and in accordance with the Company's high standards of business conduct. UPS is unaware of any incidents, violations, complaints, or concerns in its operations involving the use of child labor. Compliance, p.61	●
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	UPS adheres to all applicable laws and we are not aware of any incidents of violations regarding forced or compulsory labor.	●
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	100% of UPS's security personnel receives training on the proper use of force.	●
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	We are not aware of any incidents of violations involving the rights of indigenous people.	●
LABOR PRACTICES & DECENT WORK			
DMA	Goals and performance	p.55	
DMA	Policy	p.56	
DMA	Organizational responsibility	p.56	
DMA	Training and awareness	p.56	
DMA	Monitoring and follow up	p.57	
DMA	Key successes and shortcomings	p.57-58	
LA1	Total workforce by employment type, employment contract, and region.	UPS Facts, p.25; Employment, p.55	●

LA2	Total number and rate of employee turnover by age group, gender, and region.	KPI, p.56	●
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Workplace, p.55-56	●
LA4	Percentage of employees covered by collective bargaining agreements.	Of our 408,000 employees, we have 254,000 International Brotherhood of Teamsters, 2,300 Independent Pilots Association, 3,400 with International Association of Machinists and Aerospace workers. This represents 76% of the U.S. workforce.	●
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	The collective bargaining agreement between UPS and the International Brotherhood of Teamsters requires a minimum of 45 days notice prior to any significant operational change. In addition, certain provisions in our Independent Pilots Association and International Association of Machinists and Aerospace Workers agreements have notice requirements if certain changes are made.	●
LA6	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.	The framework for UPS's formal joint management-worker health and safety committees, called CHSP, is designed to include approximately 10% of the total non-management workforce. See also our safety information, page 57-58.	●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.	KPI's, p.58, Our focus on safety, p.57. In 2009, fatal accidents claimed the lives of 11 UPS employees (9 in auto accidents).	●
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	See Training & Awareness about Workplace issues, p.57	●
LA9	Health and safety topics covered in formal agreements with trade unions.	All of our collective bargaining agreements contain provisions that address the Health and Safety of our employees. These agreements include but are not limited to the following topics: Health and Safety Committees, hazardous materials handling, vehicle and personal safety equipment, accidents and reports, and others.	●
LA10	Average hours of training per year per employee by employee category.	UPS offers extensive training across all employee groups around the world. We are reporting U.S. data for hours per year for the following major employee categories: Middle management—39; front-line management—52.3; drivers—18.5; part-time non-management—8.8. These categories represent 86% of U.S. Operations employees. Total hours for all U.S. employees is 6,045,476.	●
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	UPS provides skills and leadership training for the continued development of its management employees using both internal and external resources. Examples of internal programs include "UPS Management Onboarding: 'Our Culture, Our Heritage, Our Vision', 'Develop Yourself, Deliver Results', and 'Manage Your Team with Integrity and Excellence.'" The UPS Community Internship Program also provided development for staff level management. External programs for continued development include access to online management and job specific courses delivered via the UPS Learning Center, UPS Education Assistance Program, professional certifications, seminars, and conferences. Regarding transition assistance programs for those who have retired or were terminated, support is provided on an individual, situational and case by case basis, and has included job placement, severance, financial planning, training, and counseling.	●

LA12	Percentage of employees receiving regular performance and career development reviews.	The percentage of employees receiving performance reviews is 95.58%. The percentage of employees receiving career development reviews is 62%. (These statistics include U.S. small-package, the corporate office, Supply Chain Solutions (SCS) (US) and Canada. Latin America (LATAM) and Europe, Middle East and Africa (EMEA) SCS use a separate system that does not factor into our reporting results.)	●
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Composition of Management Committee, UPS’s primary governance group: 10 men, two women; by race: 10 white, two African American. Board of Directors—8 men, 2 women; by race: 9 white, 1 African American. Women as a percent of officers and managers: 29%. Minorities as a percentage of officers and managers: 31%. U.S. Workforce: Asian 4%, Black 17%, Hispanic 9%, Native American/other 1%.	●
LA14	Ratio of basic salary of men to women by employee category	Not reported	○
<b>SOCIETY</b>			
DMA	Goals and performance	p.61-63	
DMA	Policy	p.61	
DMA	Organizational responsibility	p.61	
DMA	Training and awareness	p.61	
DMA	Monitoring and follow up	p.61	
S01	Nature, scope and effectiveness of any programs and practices that access and manage the impacts of operations on communities, including entering, operating and exiting	Not reported	○
S02	Percentage and total number of business units analyzed for risks related to corruption.	During 2009, onsite corruption risk assessments were completed for our top thirteen high-risk countries.	●
S03	Percentage of employees trained in organization’s anti-corruption policies and procedures.	97% of all full-time management employees (approx.44,000) have been trained.	●
S04	Actions taken in response to incidents of corruption.	UPS is not aware of any allegations of corruption in 2009 from any government agency around the world responsible for oversight of this issue.	●
S05	Public policy positions and participation in public policy development and lobbying.	Public Policy, p.61	●
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	In the United States, UPS’s Political Action Committee donations to U.S. federal, state and local candidates totaled US\$2.4 million.	●
S07	Total number of legal actions for anti-competetive behavior, anti-trust, and monopoly practices and their outcomes	Anti-competetive behavior, p.61	●
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	On occasion, UPS resolves routine civil administrative matters and associated penalties when they arise. However, we are not aware of any breaches of compliance that are material to our operations or penalties that are material to company assets.	●
<b>PRODUCT RESPONSIBILITY</b>			
DMA	Goals and performance	p.26, Code of Business Conduct Statement of Policy, investors.ups.com	
DMA	Policy	p.26, Code of Business Conduct Statement of Policy, investors.ups.com	

DMA	Training and awareness	p.26, 61	
DMA	Organizational responsibility	p.61	
DMA	Monitoring and follow up	p.26	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Not reported	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle by type of outcomes	Not reported	○
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Not reported	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling by type of outcomes	Not reported	○
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	UPS extensively monitors customer comments via internal and external channels. An important tool is a survey that collects comments from more than 2,500 shipper interviews each year. And focus groups are held throughout the year.	●
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	All communications materials, including advertising enterprise-wide, goes through a legal review to determine compliance with all pertinent laws and regulations.	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship by type of outcome	Not reported	○
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported	○
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not reported	○
<b>ECONOMIC</b>			
DMA	Goals and performance	p.29-30	
DMA	Policy	p.29, 60-61	
DMA	Key successes and shortcomings	p.30	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	2009 Annual Report, p.6-7; Form 10-K, p.28, 30, 32, 36, 37, 46, 53-55; Philanthropy, Volunteerism and Urgent Humanitarian Relief, p.61-63	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Risks and Opportunities p.24-25, UPS 2010 Carbon Disclosure Project Report, cdproject.net and UPS Annual Report (p.13)	●
EC3	Coverage of the organization's defined benefit plan obligations.	2009 Annual Report, Form 10-K, investors.ups.com	●

EC4	Significant financial assistance received from government.	Not reported	○
EC5	Range ratios of standard entry level wage compared to local minimum wage at significant locations of operations.	Not reported	○
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Our emphasis is on diversity spend rather than local. We do, however, track local, which is approximately 7-12 percent of total spend.	◐
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	We recruit, train and develop local management people to lead our operations. In 2009, out of 69,011 employees working in operations outside the U.S., fewer than 202 were foreign expatriates working in host countries, including only 57 U.S. expats. A majority of country leadership positions are held by managers hired locally. Available positions are posted on <a href="http://www.upsjobs.com">www.upsjobs.com</a> . UPS also promotes from within.	●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind of pro bono engagement	UPS has 20 employees that are trained experts on LETS (Logistics Emergency Response Teams). They are deployed when requested on a pro-bono basis to assist global relief agencies (primarily the World Food Program) with UPS's disaster relief efforts.	◐
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	See Marketplace, p.29-30.	●