

**More
of What
Matters**

UPS Corporate Sustainability
Report 2012





Sustainability at UPS

UPS does more every year to be sustainable and demonstrate leadership in ways that matter to our stakeholders and the world at large.

Sustainability at UPS® begins with logistics capabilities that **make global commerce more resource-efficient** for millions of customers every day. We manage our logistics and transportation network with constant attention to our **greenhouse gas reduction** strategy, and make our resources and expertise available to communities around the world for humanitarian disaster relief. Thus the **balance of economic, environmental, and social benefits** that we strive for at UPS has many benefits for the wider world.



UPS pursues **sustainable innovation** from end to end, ranging from the services we offer to how we provide them. We manage all types of shipments, all over the world, with a single, integrated transportation network that optimizes fuel use and greenhouse gas emissions. We use **information technology (IT)** relentlessly to make the network operate more efficiently. We train and develop our people systematically, on the job, in the classroom, and with our virtual university. This **comprehensive approach to continuous improvement** has helped us fine-tune everything from planning and routing to flying and driving, and it also helps us develop new environmentally responsible services.



A+



We **actively engage with the public sector and leading non-governmental organizations (NGOs)** that are addressing climate change, water management, the future of fuels, diversity and inclusion, disaster recovery, and community safety. And we don't just talk with these external organizations. We **fund** their work, we **implement** their ideas, and **provide expertise** of our own, so that good solutions for sustainability find their way into the mainstream.



We are committed to **leadership in sustainability reporting** as a benefit to society, and because it gives our customers **transparent, comparable, and externally assured** information about how UPS, as a supplier, is working to improve the sustainability of their supply chains. That's why we provide extensive data and contextual information about our reporting, and prepare this Report at the **A+ Application Level of the Global Reporting Initiative.**

2012 Highlights

Absolute reduction in global greenhouse gas emissions from operations and purchased energy by 2.1 percent compared to 2011, even with a 2.3 percent increase in shipping volume.

Rapid expansion of our dedicated global healthcare infrastructure to more than 6 million square feet (0.557 million m²).

A Global Forestry Initiative to plant more than 1 million trees by the end of 2013.

Outstanding logistics and environmental performance in the 2012 London Olympic and Paralympic Games.

Humanitarian relief efforts in 35 countries, with US\$2.6 million in in-kind donations.

Total Charitable Contributions and United Way donations of US\$97.5 million, up from 2011 by US\$4 million.

1.8 million volunteer hours donated by UPS employees and their families, a new record.

Reset our goal for miles driven in alternative fuel/advanced technology vehicles by the end of 2017, to 1 billion miles – more than double the previous goal.



UNICEF Education Kits for refugee children delivered by UPS. Photo credit: © U.S. Fund for UNICEF / M. Brandt / 2012

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UPS is helping the U.S. boost natural gas trucking.

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Safety Worth Celebrating
The UPS Circle of Honor gains another 50-year member.

If it Walks Like a Penguin, it Must be a UPS Driver
UPS turns to nature's experts on traversing ice and snow.

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We Call Them Heroes
Helping others seems to come naturally to these intrepid UPSers.

UPS Volunteer of the Year
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UPS makes a large and growing contribution to economic sustainability.

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**Sustainability
at UPS**

Sustainability at UPS

More of What Matters
UPS Corporate Sustainability Report 2012

**UPS integrates sustainability
across the board, with
management leadership,
comprehensive strategies,
and practical action.**

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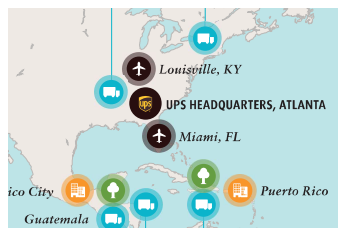
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Executive Statement—

Scott Davis, Chairman and CEO



Welcome to the 2012 UPS Sustainability Report. This report shares the ways UPS leverages its global business to create social improvements, economic prosperity and environmental stewardship. These are values that UPS shares every day in the communities and countries where we operate: values based on integrity, attention to detail and concern for the local communities in which our 400,000 employees live and work; and values that shape the UPS culture of continuous improvement, operational excellence and safety.

In the coming decades, society will continue to face complex challenges related to a growing world population. By some estimates, the world's population is set to expand by approximately 25 percent – reaching 8.7 billion people by the year 2040. Over this same time horizon, technology will increase the pace of economic change, trade, commerce and advancement. By some measures, it is possible that the global economy will more than double in size by the year 2040. The social and environmental challenges related to such rapid economic and population growth are complex.

Yet regardless of the complexities that the world may face, solutions are as close as the limitless creativity and drive of the human spirit.

That drive is what we highlight in this report. It's a drive that never rests and that takes a long-term perspective to help UPS focus its responsibilities for environmental protection, social development and economic growth.

“This Report shares the ways UPS leverages its global business to create social improvements, economic prosperity and environmental stewardship.”

Our Global Actions

UPS crisscrosses the world:

- Our employees and environmental groups we support are planting trees and restoring forests in North America, South America, Europe, Africa and Asia as part of our goal to plant more than 1 million trees before the end of 2013.
- The UPS Foundation, coupled with UPS logisticians, supported humanitarian relief in 35 countries in 2012.
- Our healthcare experts, located at dedicated UPS facilities on three continents, helped pharmaceutical, biopharmaceutical and medical device manufacturers and other healthcare companies save lives, operating on the philosophy that *It's a patient, not a package™*.

- Our safety experts and drivers shared their expertise with teens in 64 cities in the U.S., South Africa, Germany, Canada and England. In Vietnam, we kicked off a new program with the Asia Injury Prevention Foundation to encourage children and families to wear helmets when riding their scooters. In South Africa, we supported safety training for drivers delivering humanitarian relief supplies.
- We continued to operate and test alternative fuel and advanced technology vehicles to reduce fuel use and emissions. We added biomethane vehicles in the UK and announced intentions to expand our liquefied natural gas (LNG) fleet in the U.S. to more than 800 vehicles.

Our actions were also focused on internal improvements. Our sustainability metrics for workplace safety, employee satisfaction and retention, environmental performance, emissions, charitable giving and water conservation all trended positively compared to 2011.

Our Greenhouse Gas Reduction Strategy, detailed extensively in this Report, also continues to reap impressive results. Since 2001, UPS has avoided driving 364 million miles through technology – saving 39 million gallons of fuel and avoiding 369,000 metric tonnes of CO₂. In 2012, we saw an absolute reduction in our Global Scope 1 and 2 CO₂e emissions compared to 2011.

We hope that you enjoy learning more about our commitment to sustainability and appreciate your interest in UPS. We welcome your comments on this Report at pr@ups.com.

Scott Davis

Company Snapshot

UPS Corporate Sustainability Priorities

In 2011, we established a set of 15 corporate priorities for addressing sustainability issues and opportunities across our entire enterprise. We made progress with all of these priorities in 2012. Most notably, we engaged employees, international teams, and outside stakeholders more fully in our sustainability priorities and programs, and also increased our policy engagement in areas of our expertise and concern. We also made progress in quantifying outcomes from philanthropic engagements, and committed to support further standardization of international sustainability reporting.



Embed sustainability across the company



Maintain accurate and comprehensive sustainability reporting



Engage UPS international teams in sustainability



Optimize data collection and reporting processes



Promote sustainability through enterprise purchasing and responsible supply chains



Leverage sustainability to grow the business



Align greenhouse gas reporting to new WRI Scope 3 standards



Engage outside stakeholders



Engage employees



Increase global leadership and policy engagement



Continue to develop a cross-functional carbon abatement calculator



Quantify and promote sustainability successes in UPS value chains



Quantify outcomes from philanthropic engagements



Identify and address gaps in UPS sustainability programs



Continue to advance international sustainability reporting standards

UPS Facts*

Founded	1907
Employees	397,123 (322,081 U.S.; 76,885 International)
Daily Online Tracking Requests	32.1 million (average)
2012 Revenue	US\$54.1 billion

UPS Package Operations

Worldwide Operating Facilities	1,907
Customers	8.8 million daily
Retail Access	70,900
Delivery Fleet	94,751 package cars, vans, tractors, motorcycles, including 2,688 alternative-fuel vehicles
UPS Jet Aircraft	230 in service (plus 322 charter)
2012 Packages Delivered	4.1 billion

UPS Supply Chain & Freight

UPS Supply Chain

Key Services	Logistics and distribution; transportation and freight (air, sea, ground, rail); freight forwarding to 195 countries; international trade management and customs brokerage.
Facilities	811 facilities in more than 120 countries

UPS Freight

Key Services	A leading U.S. provider of less-than-truckload and truckload services coast-to-coast
Delivery Fleet	6,457 tractors
Facilities	197 service centers

* All numbers are as of 12/31/2012 with the exception of employee numbers which are 9/30/2012 to omit seasonal hiring.

UPS Financial Highlights

	2012	2011
Employee Compensation & Benefits	US\$33.1 billion	US\$27.6 billion
Taxes Paid	US\$3.9 billion	US\$3.1 billion
Long-term Debt Repaid	US\$0.16 billion	US\$0.19 billion
Dividends Paid to Shareholders	US\$2.1 billion	US\$2.0 billion
Payments to Small and Diverse Suppliers	US\$850 million	US\$780 million
Total Charitable Contributions	US\$97.5 million	US\$93.5 million
Retained Earnings	US\$8.0 billion	US\$10.1 billion

Making the World More Sustainable

UPS



UPS is helping to make the world more sustainable in many ways, beyond our core mission of making global commerce more resource-efficient. This infographic highlights our efforts in humanitarian relief, the UPS Global Forestry Initiative, healthcare, and road safety. For examples of other types of engagements, see page 19. **Airplane icon indicates a major hub for UPS Airlines.**

HUMANITARIAN RELIEF



In 2012, UPS pledged or provided US\$6.5 million in humanitarian relief funding, technical support and in-kind services, including more than 200 shipments to 35 countries. For more information see page 31. **Truck icon indicates donated in-kind transportation, unless otherwise noted.**

GLOBAL FORESTRY INITIATIVE



In 2012, UPS provided US\$1.6 million in grants for tree planting and forest protection in 12 countries. By the end of 2013, the organizations and projects we support expect to plant nearly 2 million trees. For more information see page 25. **Tree icon indicates tree planting, unless otherwise noted.**

HEALTHCARE

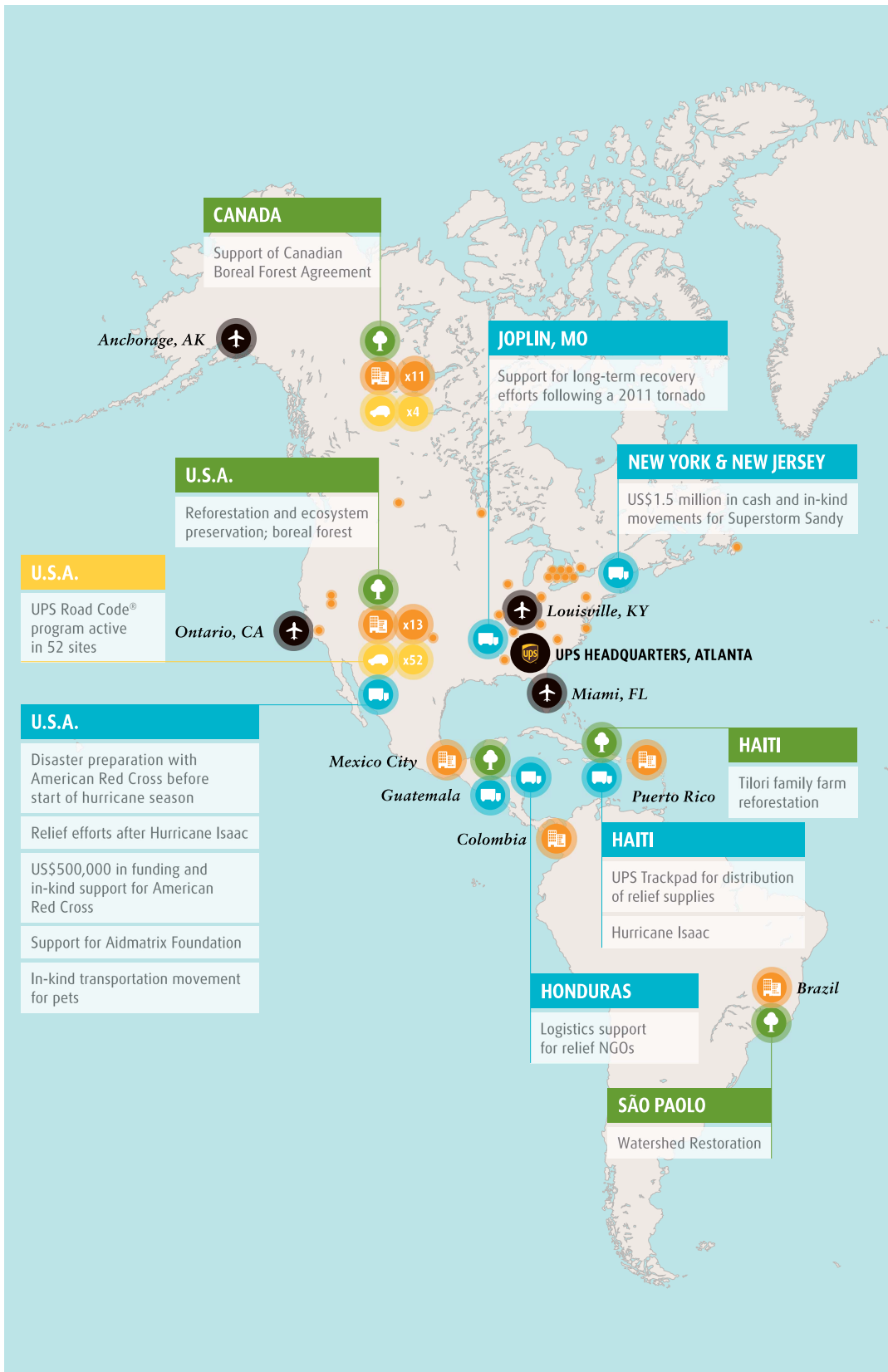


UPS serves the healthcare industry with the philosophy that we're not just shipping goods and documents – we're helping save lives. We have established 36 dedicated healthcare facilities around the world, with more than 6 million square feet (0.557 million m²) of distribution space operated by specially trained employees. For more information see page 41. **Building icon indicates a dedicated UPS healthcare facility. Orange dots represent the geographic location of a healthcare facility.**

ROAD SAFETY



We care about road safety with a passion. We're helping others learn to be safer, too, because a safer world is a more sustainable world. The examples highlighted here include helmets for scooter-riding kids, driver training for teens, and an onboard road safety program for commercial drivers. For more information, see page 34. **Car icon indicates sites where UPS offers its UPS Road Code® safe driving program for teens, unless otherwise noted.**





Our Network Strategy is a Sustainability Strategy

The UPS logistics network makes global commerce more energy-efficient.

For generations, UPS has invested in building a world-class international transportation and logistics network. This core business strategy is also the core of our sustainability strategy in an era of climate change and limited natural resources.

Our network serves the global economy the way a public transit system serves a city: It increases energy and carbon efficiency by enabling many individual trips to share the same transport infrastructure. We aggregated 4 billion shipments in 2012 and delivered them through a single integrated network. This made every one of those shipments more sustainable.

To make this equation even more powerful, we **continually increase our ability to operate the network more efficiently.** That includes the vehicles and aircraft we buy and maintain, the employees we recruit and train, and the IT systems we develop and deploy. We strive every day to keep the resources used for that day's shipping as low as possible. This means loading every plane, railcar, shipping container, and tractor trailer as fully as possible and routing them precisely.

And that's still not all we do. When our customers choose a delivery time, we choose the most efficient transportation modes to achieve it. That may mean using a truck instead of a plane, or a train instead of a truck. And that's good for the planet. We employ this **intermodal shifting** technique around the world, every day, which means that even natural disasters are unlikely to slow us down. When a volcano blocks air routes, storms close railroad lines, and accidents close highways, the **UPS network has the flexibility and resilience to keep promises to customers and their recipients.**

Here's one more way to think of the sustainability benefit of our network strategy: It **reduces conflict between what matters to customers and what matters to the environment.** Our holistic approach to service combines intermodal shifting, advanced IT, and highly trained, motivated employees who know their role: helping businesses of all types and sizes meet their business goals with environmental efficiency. Even when customers need speedy delivery, they're still going to get carbon-efficient service from UPS. Not only that, we **offer customers an inexpensive, one-click way to offset the carbon from any shipment** (see [page 43](#)).



UPS's network strategy makes customers and global commerce more carbon-efficient.

UPS flexibly shifts to the most efficient transport modes that meet commitments to customers.

Relentless focus on network performance harmonizes customer needs and environmental preservation.

Our Greenhouse Gas Reduction Strategy Operates Everywhere, 24/7



Everyone at UPS is part of reducing our emissions, so that we can reduce them even more for our customers.

For UPS, reducing greenhouse gases is a full-time job shared by just about everybody in the company. Our greenhouse gas reduction strategy gives our employees vital roles to play in management, finance, IT, engineering, operations, marketing, and more.

As you can see in the infographic on the next page, the strategy has multiple components that are global in scope:

- We optimize the fuel and emission performance of all our vehicles and aircraft, regardless of where they travel, what they carry, or what technologies they employ.
- We flexibly and dynamically use multiple transportation modes, so that we can meet customer commitments using the lowest-carbon alternatives.
- We strive to increase the energy efficiency of our facilities throughout the world.
- We work strategically and cooperatively with customers and suppliers to improve carbon efficiency for them and their supply chains.
- We integrate the passion, precision, and performance of our people into our network so that they own its success and look for ways to make it even better.

This approach enables us to record thousands of small carbon-reduction victories every day, which steadily accumulate into major successes for the year. When we added up our results for 2012, these are some of the major successes we achieved with our greenhouse gas reduction strategy:

- **Improvement on all KPIs** related to emissions and energy (compared to 2011; see [page 67](#)).
- Transportation **carbon intensity reduced** beyond our 2016 target (see [pages 84-85](#)).
- **Substantial carbon avoidance in all business segments** and across transportation modes including package delivery, freight, and UPS Airlines (see [page 86](#)).
- **Absolute reductions in Scope 1 and Scope 2 carbon emissions** for UPS overall (compared to 2011; see [page 84](#)).
- Approval of **substantial new investments for liquefied natural gas (LNG)** vehicles and stations (see [page 52](#)).
- **Measurement and offset of all carbon emissions** associated with our extensive operations and hospitality as Official Logistics and Express Delivery Supporter of the **London 2012 Olympic and Paralympic Games** (see [page 51](#)).

Greenhouse Gas Reduction Strategy

Strategy Components

UPS'S OPTIMIZED NETWORK AND FLEET

- Reduce miles driven and flown through the use of technology and an optimized transportation network
- Increase fuel efficiency and use of alternative fuels and advanced technology
- Reduce airline emissions by 20% in 2020, from a 2005 baseline

FACILITY EFFICIENCY

- Increase facility efficiency through improved facility design and energy enhancements
- Increase the use of renewable energy with solar
- Capacity sharing with customers

SUPPLY CHAIN ENGAGEMENT

- Our global eco-efficient network reduces the supply chain emissions of 8.8 million customers daily
- Long standing engagement with globally recognized institutions, standards and reporting processes
- Credible products and services to help customers manage, reduce and mitigate their environmental impact
- Customer/Supplier engagement impact
- Highly efficient supply chain network shared with our customers for maximum benefit

INTERMODAL SHIFTING

- UPS has focused for decades on using the most fuel-efficient transport mode, or combination of modes, to meet service requirements. That may mean using a truck instead of a plane, or a train instead of a truck.

INTEGRATION OF TECHNOLOGY AND HUMAN FACTORS

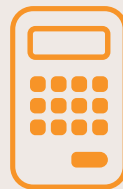
- To maximize the benefits of technology, we also engage our employees to show how their behavior impacts the environment.

Train

Trains provide a low-carbon transportation option to road and air transport.

Sustainable Products and Services

To help customers reduce their carbon impact, we offer options such as carbon neutral shipping, carbon calculation, and eco-responsible packaging.



Measure Comprehensively

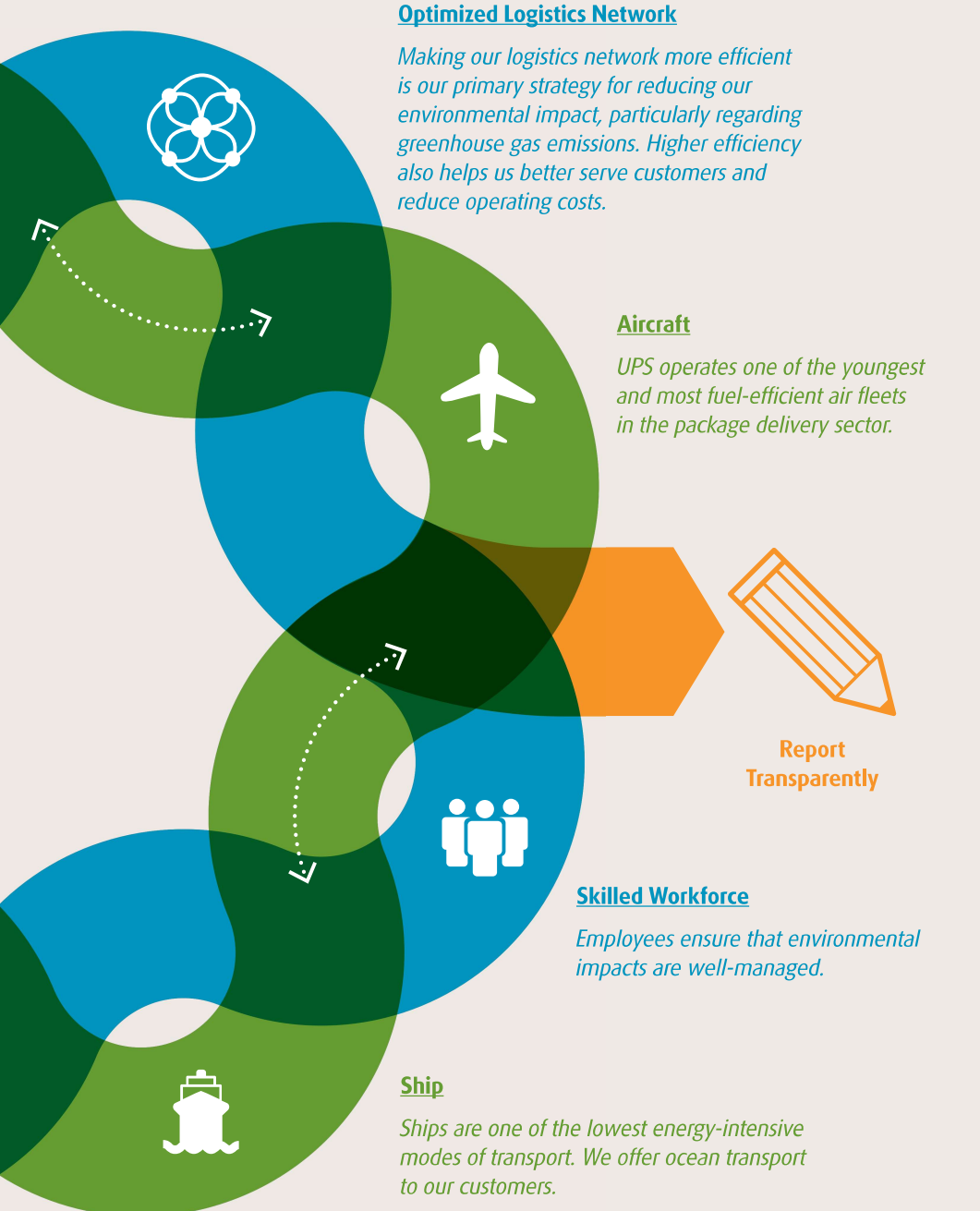
Truck

Owning our fleet enables us to optimize fuel efficiency and miles driven, and introduce alternative fuels.

IT Applications

Technology enables more efficient routing, fuel conservation, carbon measurement, operational optimization, and service improvements.





Optimized Logistics Network

Making our logistics network more efficient is our primary strategy for reducing our environmental impact, particularly regarding greenhouse gas emissions. Higher efficiency also helps us better serve customers and reduce operating costs.

Aircraft

UPS operates one of the youngest and most fuel-efficient air fleets in the package delivery sector.



**Report
Transparently**

Skilled Workforce

Employees ensure that environmental impacts are well-managed.

Ship

Ships are one of the lowest energy-intensive modes of transport. We offer ocean transport to our customers.

Achievements

LEADERSHIP

- First electric cars in 1935
- Rail network established in 1966
- Began the re-engine of 727-100 aircraft in 1985
- Replaced 727-200s starting in 1987
- Recycled packaging in 1998
- Hybrid vehicles in service in 1998
- Sustainability reporting since 2003
- CO₂e reporting – Scopes 1 & 2 since 2009, Scope 3 since 2010
- Alternative fuel/advanced technology fleet reached 200 million mile milestone in 2010
- Third-party verified GHG inventory since 2010
- Highest score on S&P 500 Carbon Leadership Disclosure Index in 2011 and 2012
- Awarded the 2012 EPA Supply Chain Leadership Award

EXECUTION

- Global precision delivery
- Single integrated, optimized network
- Young, fuel-efficient air fleet
- Telematics in ground fleet
- Alternative fuel/advanced technology vehicles
- Ambitious fuel and emission goals
- Carbon neutral services
- Comprehensive, accurate reporting

INNOVATION

- Next-generation wide-body aircraft
- Bio-fuels in ground and air fleets
- Advanced technology vehicles
- Alternative fuel fleet expansion
- Telematics around the world
- Expanded customer services portfolio
- Evolution to Life Cycle Analysis standards
- Renewable energy for facilities
- Ready for emerging reporting standards

THIRD-PARTY CREDENTIALS

- We leverage third-parties to certify, verify and assure our data and processes for greater credibility
- Corporate Sustainability Report assured by Deloitte & Touche LLP
- Statement of Greenhouse Gas Emissions assured by Deloitte & Touche LLP and verified by SGS
- Carbon neutral shipping processes and offset purchasing criteria verified by SGS and certified by The CarbonNeutral Company
- Global Reporting Initiative “checks” our Sustainability Report to ensure reporting compliance

Executive Statement—

Kurt Kuehn, Chief Financial Officer



The widely accepted definition for “sustainability” includes social, environmental, and economic aspects of a company. But often, “economic” aspects lose the spotlight to social and environmental issues in annual sustainability reports.

“Successful financials and positive economic impact are crucial to a company’s long-term ability to contribute to society.”

This approach is incomplete. Successful financials and positive economic impact are crucial to a company’s long-term ability to contribute to society. Strong financials make it possible to provide charitable contributions, to invest in new opportunities, and to maintain responsible business practices that initially may have longer thresholds for positive returns. At its best, a sustainability strategy builds on the competency and resources of a company, maximizing societal impact while minimizing the economic drag on the balance sheet.

UPS’s business strategy and sustainability strategy are substantially the same: to increase the economic vitality and environmental sustainability of the global economy by aggregating the shipping activities of millions of businesses and individuals worldwide. The aggregation has powerful benefits for our shareholders, the global economy, the environment, and society.

Therefore, we annually include both direct and indirect economic benefits in our sustainability report (see [pages 74-75](#)). These items include employee compensation and benefits, taxes paid, long-term debt repaid, dividends paid to shareholders, payments to small and diverse suppliers, and total charitable contributions.

On a macro-level, successful companies like UPS are catalysts for economic prosperity. For example, UPS not only provides good jobs with competitive wages, we also provide a critical logistics infrastructure for businesses that want to reach new markets around the world. It’s not unusual for distribution centers and new businesses to locate in close proximity to our hubs for this very reason.

Our services also help small companies receive and deliver their goods in a cost-effective and efficient manner. We provide technology, transportation, and expertise that they would never be able to build independently. Our assets allow companies to flex with the changing economic winds, using express and air services when appropriate or shifting to less-costly options during tough times. We offer customers valuable information about how to enter the global marketplace, how to use shipment tracking data to enhance their customer relationships, and how to better manage their supply chains for financial results.

At the highest level, our logistics services help our customers save lives. Our investments in healthcare facilities, featured in this Report on [page 39](#), help pharmaceutical and medical device companies ensure that patients receive care in more responsive, effective, and efficient ways; Logistics is a critical part of their supply chains. Our work in humanitarian logistics ensures that life-saving supplies arrive quickly and in good condition when urgent natural disasters devastate communities.

So while we are proud of our volunteer activities, charitable gifts, and environmental stewardship, we also are acutely aware that our economic contributions are just as important.

This 2012 Corporate Sustainability Report encompasses it all.

Customer Statement— Cisco Systems



Edna Conway
*Chief Security Officer,
Supply Chain Operations*



Jim McLaughlin
*Director of Global Logistics and Partner
Management, Supply Chain Operations*

**More
of What
Matters**

At Cisco Systems, we believe that in order to deliver an unrivaled customer experience, our supply chain must be aligned with that mission. When we deliver something to our customers, we want it to be built by people and suppliers that are healthy, successful, and challenged in the most positive sense, meaning that they seek to go beyond what's been done before.

It also takes a great supply chain to deliver on our commitment to sustainability. The Cisco supply chain has tremendous variation and versatility, extending from raw commodities to final recycling of products. And nearly all the companies in our supply chain have supply chains of their own. So bringing sustainability into the supply chain is one of the areas in which we can have an influence, which extends throughout our industry.

We began our sustainability journey with high-level monitoring of our suppliers, to understand their issues and efforts regarding sustainability. Once we had this understanding, the next level was actually engaging with them – not in a prescriptive way, but in a collaborative way. We brought together multiple companies from the information and communications technology industry to have a conversation about best practices. No one was required to divulge proprietary information, we just said “check your company badge at the door and let's talk about how, together, we can make our industry more sustainable.”

We believe this collaborative approach is one of the reasons that Cisco was a winner of the 2013 Supply Chain Leadership Award from the Center for Corporate Climate Leadership of the U.S. Environmental Protection Agency (EPA).

We've been recognizing suppliers for many years, and in 2011 we established a new award, the “Sustainability Excellence” award. This is our only sustainability award for suppliers, and we intentionally set a high bar. We look for companies that embrace sustainability holistically, and that use information technology as part of their program. Candidates for the award must be actively engaged with their own supply chain. We look for companies that are helping us meet our sustainability objectives, and sharing data that helps Cisco make better decisions for society and the environment, around the world.

We were pleased with how many companies showed an interest in the award. For one thing, it demonstrated the depth and quality of our supply chain. It also showed us that there is a growing community of industry-leading companies that take sustainability seriously. The companies in this community understand that none of us can do it alone.

That is one of the reasons we selected UPS as the 2012 winner of the Cisco Systems Sustainability Excellence award. We have multiple relationships with UPS – in fact we are part of their supply chain – and our two companies are aligned in many ways on how to address sustainability challenges. Beyond this, we understood that UPS is coordinating with its customers and partners to drive sustainability, not just Cisco. By recognizing UPS, we saw an opportunity to extend the positive influence of the award beyond one company, and to recognize and inspire multiple companies.

Cisco Systems won a 2013 Supply Chain Leadership Award from the Center for Corporate Climate Leadership of the EPA. UPS was a winner of the Award for 2012.

Cisco named UPS the 2012 winner of its Sustainability Excellence award – the only sustainability award for Cisco suppliers.

Cisco's top suppliers are chosen for supply chain leadership, transparency, and leveraging IT for sustainable results.

2

Engagement

Engagement

More of What Matters
UPS Corporate Sustainability Report 2012

UPS works with a broad range of stakeholders to move sustainability into the mainstream.

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UPS is in the forefront of global reporting on water risks.

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Safer drivers help create a more sustainable society.



Stakeholder Engagement

More than 100,000 UPSers work in jobs that bring them face to face with customers – in their homes, workshops, storefronts, and corporate facilities.



The transportation industry is highly regulated all over the world, so we're in regular dialog with the public sector at many levels. UPS is constantly investing in advanced technology of many kinds, from alternative fuels to IT. We also work with universities, advanced technology companies, and innovative suppliers, so we're plugged into universities and the high-tech sector. UPS employees also donated 1.8 million volunteer hours in 2012, learning first-hand about their communities' needs.

Behind the scenes, UPS has a long-standing philosophy of "constructive dissatisfaction." **We're always looking for ways to do a good thing even better. This has taught us that good ideas can come from anywhere** – even people who may be critical of us. That's one of the many reasons we are regularly in dialog with a wide range of stakeholders including employees, customers, investors, community leaders, universities, and public officials.

We also regularly invite outside stakeholders to present their perspectives in our Corporate Sustainability Report. This year, they include Cisco Systems (see page 16), Earthwatch Institute (see page 26), the American Red Cross (see page 32), and Henry Schein (see page 40).

While we have formal channels for engaging with all these stakeholders, we value and take advantage of many informal channels as well. For example, we:

- Support and collaborate with leading global sustainability organizations regarding resource issues, policy and innovation opportunities, and transparent reporting on sustainability performance (see pages 21-22);
- Participate annually in dozens of assessments, surveys, and inquiries by non-government organizations and research firms as a way to learn about how we compare to our competitors and other sustainability leaders (see pages 23-24);

- Actively **seek and gather feedback from our employees** through the use of internal surveys, focus groups, and confidential hotlines (see page 63);
- Engage respectfully in open dialog with our labor unions to answer their concerns (see page 63);
- Solicit insights from non-profits, 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 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.

CONTACT UPS

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

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

Commitments to External Initiatives

Stakeholder engagement for us means more than communicating. It also means listening and acting on good ideas to help test them, refine them, and move them into the mainstream. This is especially vital to sustainability, because **a more sustainable world requires changing entrenched ways of doing things**. Because of the size of our company, our global scale, and our commitment to sustainability, we are able to identify numerous opportunities to participate in external initiatives.

Our approach has been to choose initiatives associated with global or national issues and credible organizations capable of mounting and sustaining successful programs. We then devote considerable resources, energy, and attention to advancing them. As a way to balance these global engagements, The UPS Foundation funds the work of thousands of local grassroots non-profits in communities around the world.

The major external initiatives we engage in include the following:

- We are working with the **World Resources Institute (WRI)**, as a member of the Corporate Consultative Group, on the advancement and implementation of the Greenhouse Gas Protocol for supply chain reporting.
- We spearheaded the creation of a **"Future of Fuels" Working Group at BSR**, where we are a member company, to address the need for more understanding about today's commercial transportation fuels and development of more and better options for alternative fuels.
- We share our insights with the **World Business Council for Sustainable Development (WBCSD)**, as a member company, in the area of tools and strategies related to GHG standards and reporting, Vision 2050 to Action 2020, urban planning, and global water resource issues.
- We participate actively in the Sustainable Transport Ecosystem project of the **World Economic Forum (WEF)**.



- We work closely with the **U.S. Federal Aviation Authority (FAA)** on its long-term program to establish next-generation air traffic control systems that offer increased fuel efficiency, reduced noise, and enhanced safety for air carriers.
- We are working with other members of the **Airlines for America (A4A)** to help encourage and guide development of a new generation of lower-emission fuels for air transport.
- We are active in a number of programs with the **U.S. Environmental Protection Agency (EPA)** aimed at improving or executing U.S. climate change policy, and UPS is a member of the National Clean Fleets Partnership organized by the U.S. Department of Energy.
- We are actively investing in the **Interstate Clean Transportation Corridor (ICTC)** program, a public/private partnership to extend the reach and capacity of the first interstate natural gas transportation corridor in the U.S.
- We participate in a number of industry councils and consortiums involved with environmental sustainability, including the **North American Council on Freight Efficiency (NACFE)**, **Green Freight Europe**, and the **IATA Air Cargo Carbon Footprint Initiative**.

- Our Chief Sustainability Officer, Scott Wicker, is a **member of the Carbon Action Steering Committee of the CDP**, which develops market-based incentives for companies to take action on carbon reduction in ways that deliver a return on investment.
- We actively participate in the **Sustainable Packaging Coalition (SPC)**, including serving on working committees.

Materiality

One of the reasons we engage with our stakeholders is to ensure that we report on topics that matter to them. In early 2012, we completed a process that identified more than 60 significant sustainability issues, and evaluated them with the independent business sustainability organization BSR. The materiality matrix that resulted, and actions we have taken because of it, are presented on pages 63-66.

**More
of What
Matters**

UPS engages in dialog with many external stakeholders, such as those on [pages 21-22](#).

UPS is committed to major external initiatives related to climate change, resource conservation, and more.

UPS actively invests in public-private partnerships to make transportation more fuel-efficient.

UPS Collaborates with World Leaders in Sustainability

Making the economy more sustainable means making more connections: between causes and effects, ideas and implementation, people and possibilities. At UPS, making connections is the nature of our business. That's why one of our core sustainability strategies is engaging with other leading organizations, in such areas as resource conservation, technical innovation, public policy, and setting standards. We come together from different perspectives but with similar goals: to share information and ideas, pool resources for major projects, and move sustainability into the corporate mainstream. Other engagements are listed throughout our Report.



BSR— THE FUTURE OF FUELS

BSR, which celebrated its 20th anniversary in 2012, works with a global network of nearly 300 member companies to advance the cause of sustainability worldwide. BSR conducts research, provides consulting services, and organizes cross-sector collaborations with companies on vital issues. UPS is a Member Company, collaborating with BSR in a working group called “The Future of Fuels” to advance the development and availability of alternative fuels for commercial transportation. The Working Group’s 2012 report is entitled *The Sustainability Impacts of Fuel*.

WBCSD— WATER

WBCSD works with more than 200 member companies to develop and advance policy solutions for global sustainability issues. The organization also provides a forum for members to share best practices. UPS is a member company, working on the development of tools and strategies related to global water resource issues.

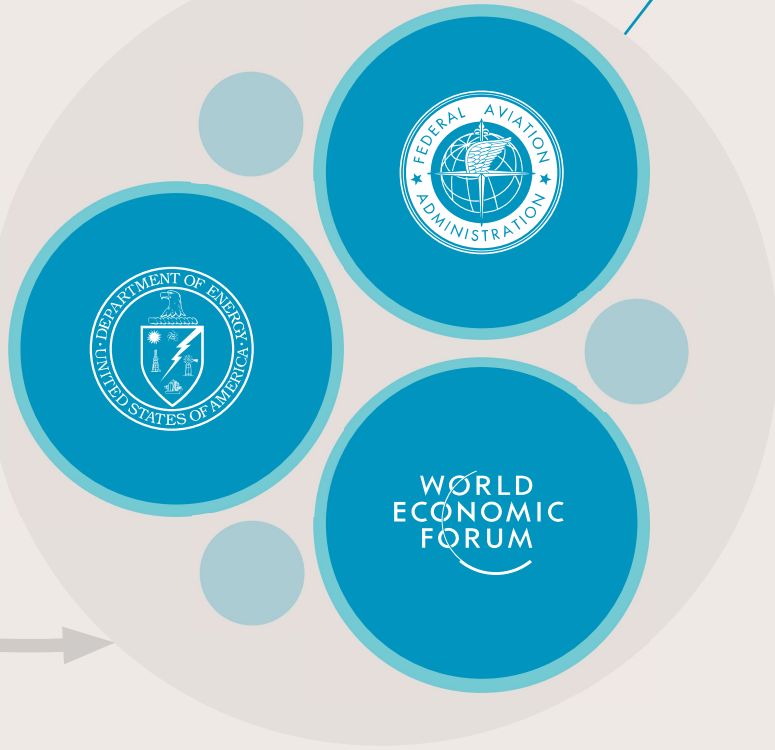
WRI— NATURAL RESOURCES

WRI’s Corporate Consultative Group includes a select group of corporate members who conduct in-depth discussions on issues related to natural resources, including air quality, water management, climate change, conservation, and other environmental issues. One of its signature achievements is bringing together private industry and environmental organizations to protect the boreal forest.

RESOURCES



POLICY & INNOVATION



**U.S. DEPARTMENT OF ENERGY—
NATIONAL CLEAN FLEETS PARTNERSHIP**

The National Clean Fleets Partnership builds on the success of Clean Cities, a program of the U.S. Department of Energy, which reduces petroleum consumption at the community level through a nationwide network of coalitions. The Partnership was organized by the U.S. Department of Energy to focus on reducing greenhouse gas emissions from commercial vehicle fleets. UPS is one of five founding members of the Partnership.

**U.S. FEDERAL AVIATION ADMINISTRATION—
NEXTGEN ROADMAP**

The FAA created its “NextGen” roadmap to make the U.S. airspace safer and cleaner by guiding air traffic more precisely and efficiently to save fuel and reduce noise and greenhouse gas emissions. UPS is helping the FAA test, develop, and implement its NextGen roadmap, in part by being one of the first airlines operating in the U.S. to adopt and prove the efficacy of NextGen technologies and air-traffic control techniques.

**WORLD ECONOMIC FORUM—
SUSTAINABLE TRANSPORT ECOSYSTEM**

WEF is an independent international organization committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional, and industry agendas. UPS participates actively in a number of WEF projects, most notably the Sustainable Transport Ecosystem project. UPS executives also attend WEF’s annual gathering of CEOs, academics, and policy-makers in Davos, Switzerland.

REPORTING



**GLOBAL REPORTING INITIATIVE—
SUSTAINABILITY REPORTING FRAMEWORK**

GRI’s mission is to make sustainability reporting a standard practice for all companies. It has already developed the world’s most broadly used and widely accepted sustainability reporting framework, and continues to advance and evolve it through a global process supported by governments, foundations, and corporations. UPS is a registered Organizational Stakeholder, which includes financial support along with implementing the GRI framework and helping to evolve it.

**WORLD RESOURCES INSTITUTE—
GREENHOUSE GAS PROTOCOL**

The WRI, which celebrated its 30th anniversary in 2012, researches issues and develops solutions that enable socioeconomic development in greater harmony with the environment. WRI works globally with governments, business, and civil society. UPS is a member of the Corporate Consultative Group at WRI, working on the advancement and implementation of the Greenhouse Gas Protocol for supply chain reporting.

**CDP—
CARBON ACTION STEERING COMMITTEE**

CDP (formerly known as the Carbon Disclosure Project) takes a novel approach to driving businesses to reduce greenhouse gas emissions: It asks corporations to disclose their carbon footprint and now their water footprint, and what they’re doing about it, and then ranks the results for institutional investors deciding where to put their money. Harvard Business Review called it “the most powerful green NGO you’ve never heard of.” UPS Chief Sustainability Officer Scott Wicker is a member of CDP’s Carbon Action Steering Committee.

Recognition for Responsibility

UPS is consistently recognized for its sustainability leadership. These are a select few from 2012:



CDP— Carbon Disclosure Leadership Index

For the second consecutive year, UPS received one of the highest scores in the 2012 CDP “Carbon Disclosure Leadership Index” of global companies, receiving a 99 out of 100. Worldwide, for all companies, only six other companies achieved the same score and only two surpassed it. Among S&P 500 companies, UPS received the highest score for the second consecutive year (in 2012, one other company matched our score). To qualify for inclusion in the CDLI, companies must achieve a score within the top 10 percent among Global 500 companies, with detailed information that is made public for all to see. CDP scores the companies based on the completeness and quality of information submitted as well as comparisons among companies.



Climate Counts— Climate Counts Company Scorecard

For the fourth consecutive year, UPS earned the No. 1 ranking in the consumer shipping sector of the Climate Counts Company Scorecard. UPS tied for second overall in this year’s global list of 145 companies, with only one company earning a higher score. The annual Climate Counts scorecard ranks the world’s largest companies based on 22 criteria for measuring and reducing climate impact, corporate support of public policy initiatives, and openness and transparency in reporting.



EPA Climate Leadership Awards— Supply Chain Leadership

EPA Climate Leadership Awards recognize corporate, organizational, and individual leadership in addressing climate change and reducing carbon emissions. From setting and exceeding aggressive emissions reduction goals to reducing the emissions associated with shipping goods, these organizations are improving efficiency, identifying energy and cost saving opportunities, and reducing pollution. UPS received a Climate Leadership Award in 2012. Winners are selected by the U.S. Environmental Protection Agency (EPA), the Association of Climate Change Officers (ACCO), the Center for Climate and Energy Solutions (C2ES), and The Climate Registry (TCR).



Corporate Responsibility Magazine— “100 Best Corporate Citizens”

CR Magazine identifies its “100 Best Corporate Citizens” each year by evaluating 318 data elements in seven categories to determine best practices in the area of corporate social responsibility. UPS has been on this list for the past three years. We ranked 48th overall in 2012, and ranked 1st in the Climate Change category.

- Climate & Carbon
- Ethics & Responsibility
- Marketplace & Workplace



Dow Jones Sustainability Indexes— North America Index

For the eighth straight year, UPS was included on the Dow Jones Sustainability North America Index. The DJSI ranks companies based on an in-depth analysis of economic, environmental, and social criteria such as corporate governance, water-related issues, and shareholder relations, with a special focus on industry-specific risks and opportunities.



FORTUNE Magazine— “World’s Most Admired Companies”

For its annual list of the 50 most admired companies in the world, FORTUNE asks businesspeople to vote for the companies they admire most, from any industry. UPS has been on this list for more than 20 years. In 2012, we ranked 29th overall and 1st in the Delivery Industry.



Ethisphere Institute— “World’s Most Ethical Companies”

Ethisphere Institute identifies The World’s Most Ethical Companies each year by analyzing their ethics and compliance programs, particularly compared to their industry peers. There is no set number of companies selected each year; only clear leaders make the list. UPS has been one of “The World’s Most Ethical Companies” since the rankings began in 2007.

Interbrand

Interbrand— Best Global Green Brands

Interbrand measures sustainability in both performance and perception: how global corporate brands actually deliver on their sustainability promises and how outside stakeholders perceive that performance. It takes both to have a positive effect on sustainability for society as a whole – and on brand value that benefits shareholders, employees, suppliers, and customers. In 2012, UPS ranked 27th overall for Best Global Brands, 43rd overall for Best Global Green Brands, and better than all other companies in the transportation sector.



Cisco Systems— Sustainability Excellence Award

Cisco Systems gives out one supplier award for sustainability excellence each year, and UPS won it in 2012 for the second straight year. The award criteria include taking a comprehensive approach to sustainability and sharing data that helps Cisco achieve its own sustainability goals.

Millions of Trees

Forests matter to the earth the way your lungs matter to your body. They take in carbon dioxide and give back oxygen. Without forests, life as we know it would not exist. We can also think of forests as nature's own form of "carbon offset": part of the environment that naturally neutralizes the carbon dioxide from human activity.

In recent years, protecting forests and planting trees have become two of the many ways UPS gives back to society and the planet. Forest conservation is one source of the carbon offset credits for the carbon neutral service we offer our customers, and planting trees helps mitigate some of the carbon emissions from our own operations. In 2012, UPS provided US\$1.6 million in grants to environmental organizations to support tree planting and forest protection. We also committed to planting one million trees before the end of 2013. This brings our total support for forestry conservation to US\$4.5 million since 2008. By the end of 2013, the organizations and projects we have supported will have planted more than 2 million trees.

In addition to our funding support, we advanced in two additional areas in 2012: integrating forestry conservation into our volunteerism programs and learning more about the global ecology of forests. To get our employee volunteers engaged, we supported tree planting projects near urban areas in North America and Europe. To learn about how forests sequester carbon, we engaged **Earthwatch Institute** to teach UPSers and some of our stakeholders in hands-on visits

to a forest in Canada. One outcome of this education process was greater awareness of how important boreal forests are to the earth's carbon balance. As a result of our education, we took our new perspectives to our senior management and we significantly expanded our forestry commitment and financial support to organizations helping to preserve boreal forests in four countries (see right).

More of What Matters

In 2012, UPS committed to planting 1 million trees before the end of 2013. UPS also contributed US\$1.6 million to plant trees and protect extant forests as a way to counteract carbon emissions from UPS operations.

Partners in the UPS Global Forestry Initiative include leading environmental groups with forestry expertise, to ensure that our contributions are measurable and based on science.

The initiative emphasizes boreal forests, which contain the world's largest natural "carbon reservoirs" (other than the oceans).

A Forest Like No Other

You probably know that trees store carbon dioxide. But you may not know that boreal forests can do even more. Because of their cool northern latitudes, they release little of their stored CO₂ back into the atmosphere when trees die. That makes them one of the most important environmental resources on earth. The boreal forest matters in other ways, too – its wetlands filter millions of gallons of water every day. The total size of the forest, which spans ten countries (Canada, Finland, Iceland, Japan, Kazakhstan, Mongolia, Norway, Sweden, Russia, and the U.S.), is approximately 6.5 million square miles (16.8 million square kilometers). This is equivalent to about 25 percent of the world's intact forestland (see map on page 28).

Like many forests around the world, the boreal is under threat from climate change, human encroachment, and extraction of natural resources. While the world needs energy today, it cannot afford to lose an ecological asset so essential to the air we breathe. That's why we are protecting the boreal forest and replanting it in Canada, Norway, Russia, and the United States.



Little Limestone Lake, Manitoba, Canada.
Credit: Chanda Hunnie @ TNC

Stakeholder Statement— Earthwatch Institute



Mark Chandler
International Director of Research

At Earthwatch Institute we work with people from around the world including key business leaders to align their thinking, their priorities, and their processes with greater sustainability for the planet earth. One of the most powerful ways to create that kind of change is to take people out into nature for a hands-on science experience and conduct a dialog about sustainability in the context of real earth systems, such as forests.

It's a great equalizer, because everyone is learning something new. People from all levels of a corporation can talk informally about sustainability challenges for their business or their industry, in a way they might not in a boardroom. Doing hands-on work with real scientists also tends to open people up to whole new lines of inquiry once they get back to the office.

We were happy to have two sessions like this with UPS in 2011 and 2012, because they are a leader in their industry and they touch so many people around the world with their actions and messages about sustainability. They also understand that the experience we provide at Earthwatch Institute has the power to inspire people and change their relationship to the company.

“UPS recognizes that forests are not just an incredible natural resource for carbon mitigation – they are also a cause that everyone can relate to.”

This is vital, because so many companies struggle to get employees and business partners to engage with sustainability. They have impressive goals and programs at the corporate level, but the good work they do doesn't penetrate to enough people. UPS recognized that forests are not just

an incredible natural resource for carbon mitigation – they are also a cause that everyone can relate to. Everyone likes being in the woods. Everyone has a favorite tree. But to sustain the world's forests, you have to start with science and education. And that's what UPS has done.

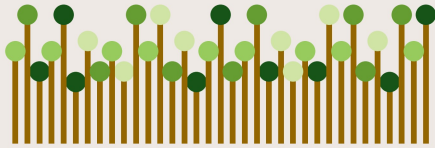
Their forestry initiative, and focus on the boreal forest in particular, is based on both broad science and specific measurements and data that their groups gathered in actual forests. The people who did that work are now credible ambassadors for the initiative within their organizations, because they spent time listening, learning, and doing the science themselves.

The reality is that sustainability can be a complex and overwhelming topic for people. Out in nature, though, people tend to disentangle complexity and find priorities that matter to them. They reconnect with the earth and identify actions they can take together to better steward the environment. They discover that everyone has a role to play in sustainability, and that learning the issues first-hand is an important step in that process. They see that collaborating with other people and organizations is a successful way forward. Most importantly, they understand that sustainability is not a concept. It's a matter of people doing something about it.



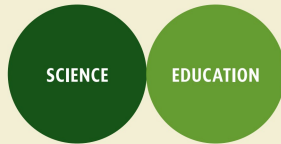
UPS leaders travel to Lake Duparquet Research - and Teaching Forest outside of Rovyn, Quebec.

UPS Global Forestry Initiative



ADDRESSING CLIMATE CHANGE WITH FORESTRY PROTECTION AND PLANTING

In 2012, the UPS Foundation made grants totaling US\$1.6 million to plant more than 1 million trees around the world, protect endangered species, and inspire UPS employees to volunteer with forestry-focused environmental organizations. Planting trees helps mitigate carbon emissions from our operations, and forest conservation is a source of carbon-offset credits for the carbon neutral service we offer our customers. The organizations we engage with for the UPS Global Forestry Initiative are respected experts on forestry in countries around the world.



EARTHWATCH INSTITUTE

Earthwatch Institute *engages people worldwide in scientific field research and education*, to promote the understanding and action necessary to sustain the planet's natural environment.



For the UPS Global Forestry Initiative, Earthwatch Institute provides scientific, educational, and measurement services.



THE NATURE CONSERVANCY

The Nature Conservancy, with more than a million members and a 61-year track record, *works in 30 countries* and all 50 U.S. states to protect and restore ecologically important lands and waters.

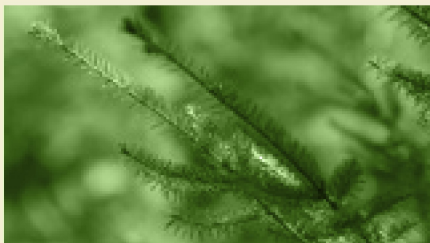


For the UPS Global Forestry Initiative, The Nature Conservancy is planting trees in Brazil, Guatemala, and Haiti; protecting threatened tree species in China and Europe; and restoring longleaf pine forests in the U.S. Photo credit: TNC



ARBOR DAY FOUNDATION

Arbor Day Foundation, with nearly a million members and a 40-year track record, plants and distributes *more than 10 million trees* annually and operates outreach programs for people of all ages.



For the UPS Global Forestry Initiative, Arbor Day Foundation is planting trees in Canada, China, Norway, and the U.S., and supporting employee engagement programs.



EARTH DAY NETWORK

Earth Day Network, with *more than 22,000 partners* in 192 countries and a 42-year track record, works to broaden, diversify, and mobilize the global environmental movement.



For the UPS Global Forestry Initiative, Earth Day Network is planting trees in Canada, the Netherlands, Norway, Uganda, Russia, and the U.S.



Stoystown, PA

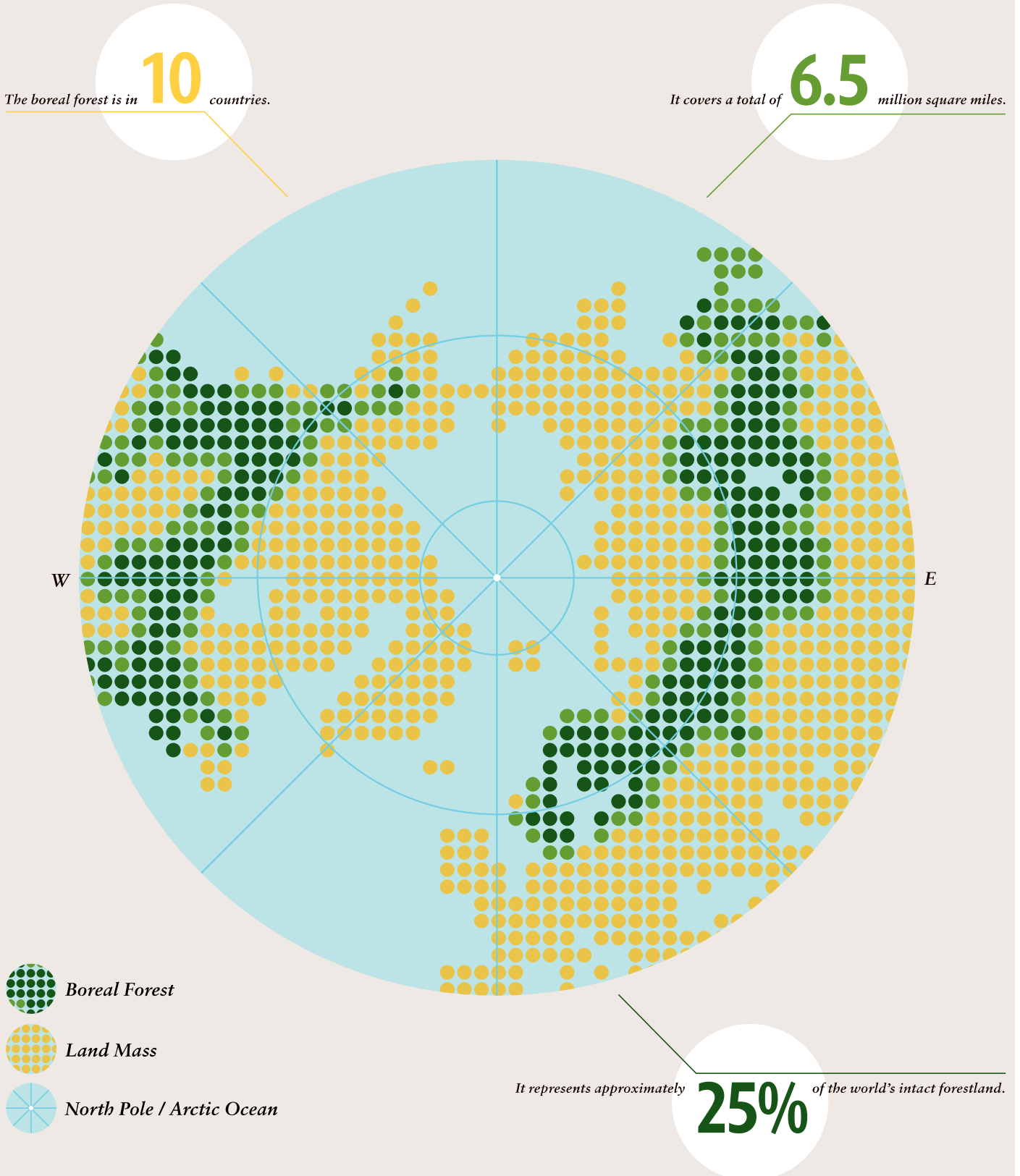
THE NATIONAL PARK FOUNDATION

The National Park Foundation, with a 45-year track record, supports environmental and outreach programs in nearly 400 national parks in the U.S. and has raised more than *US\$30 million to build the Flight 93 National Memorial*.



For the UPS Global Forestry Initiative, The National Park Foundation is planting trees in the U.S. at the Flight 93 National Memorial in the state of Pennsylvania.

The UPS Global Forestry Initiative includes protection and replanting of boreal forests in four countries around the world (Canada, Russia, Norway, and the U.S.), because the boreal forests play such a vital role in sequestering carbon dioxide for the Earth (see [page 25](#)).



Public Policy Engagement

One of the fundamental premises of sustainability is that the profit motive, managed by private enterprise, can harmoniously coexist with the public good, managed by policy makers and governments. In practical terms, this means that the private and public spheres must conduct meaningful dialog on issues that matter to them both.

At UPS, we take this responsibility seriously, starting at the highest levels of the company. We present our policy perspectives, and listen to the views of others, in a wide range of venues, including the following:

- Supporting regulatory and legislative actions that we believe are beneficial to UPS, our markets, and the communities we serve.
- Inviting policy makers to UPS facilities and sharing information about our sustainable business practices in transportation and logistics.
- Sharing our innovations, such as our investments in alternative fuel technology and emissions reductions.
- Participating in public-private initiatives, such as helping implement a national strategy for global supply security in the U.S. through the Critical Infrastructure Partnership Advisory Council (CIPAC).
- Interacting with a broad spectrum of public officials.
- Submitting articles and opinion essays to the media.
- Participating in trade associations.
- Participating in public events.

We emphasize a number of major themes in our public policy advocacy efforts. These themes are summarized to the right.

Benefits of Free Trade



We believe that global trade, free enterprise, and fair trade are good for our company, our country, and the global economy. **History shows us that trade is one of the primary engines of civilization for reducing conflicts among nations and facilitating the spread of democratic values, the rule of law, and equal rights.** Global trade increases appreciation of human and cultural diversity and supports wider adoption of sustainable solutions for the environment. We therefore advocate legislative action to remove or lower barriers to trade around the world. Our CEO, Scott Davis, serves on the President's Export Council, a non-partisan body that serves as the United States' principal national advisory committee on international trade.

In China, UPS worked with the Chinese government to secure a daytime flight from Guangzhou to Shenzhen, to establish new international branches in Zhengzhou where UPS launched air service in 2012 to support the growth of electronics manufacturing there, and to gain approval for UPS to begin offering China domestic service in seven cities in 2012, with 26 cities to follow in 2013 and 2014.

The company publicly supported the **Trans-Pacific Partnership Agreement**, a regional free trade agreement currently negotiated among 11 Asian economies and Australia, Brunei, Canada, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, the United States, and Mexico. UPS also supported President Obama's signing of legislation establishing U.S. Permanent Normal Trade Relations status with Russia.

UPS also worked with governments around the world to streamline customs processes, including the European Union, Belgium, the Dominican Republic, El Salvador, Spain, and the U.S. UPS seeks to benefit the industry by simplifying processes, reducing costs, and time in transit.

Reducing the U.S. Federal Debt

We believe that the level of the national debt of the U.S. has reached unsustainable levels, and that the U.S. Congress has a duty to act effectively on debt reduction. High federal debt creates economic uncertainty for the private sector, particularly when legislators are unwilling to set aside partisan differences in order to create better balance between tax revenue and government spending, as they did throughout 2012. We believe that stop gap legislation is not sufficient to address the debt on a sustainable, long-term basis. Our CEO, Scott Davis, is a member of the CEO Fiscal Leadership Council, which was formed in October of 2012 under the banner of "Fix the Debt" (fixthedebt.org). The Council is comprised of approximately 130 CEOs seeking to convince the Congress to enact, and the President to sign, comprehensive debt legislation that can stabilize and then reduce the federal debt as a share of the economy.

Development of Alternative Fuels



We believe that **alternative fuels can play an important role in reducing the emissions intensity of the transportation sector**, which is of global importance to the environment. UPS is "fuel neutral," meaning we are committed to better alternatives than we have today rather than any particular candidate. In practice, **we use a wide**

array of alternative fuels and advanced technologies, which are generally less carbon-intensive and less emissions-intensive than conventional vehicles (see [page 47](#)). For information about UPS's work with BSR on alternative fuels, see [page 44](#). UPS also secured a grant to become one of four 'showcase regions' for electric vehicles funded by the German government and was granted permission to test EcoCombi tractor-trailers trials across the country and introduced biomethane fueled vehicles in the U.K and more heavy-duty trucks fueled by liquified natural gas.

UPS CEO Scott Davis is a member of the National Petroleum Council (NPC), which recently responded to a request from the former U.S. Energy Secretary Chu for a report that would answer the following question: What actions could industry and government take to stimulate the technological advances and market conditions needed to reduce life-cycle greenhouse gas emissions in the U.S. Transportation sector by 50 percent by 2050 relative to 2005 levels, while enhancing the nation's energy security and economic prosperity?"

UPS experts were among the 300 people that contributed to preparation of the report, which took two years to complete and was entitled "**Advancing Technologies for America's Transportation Future.**" Studies issued by NPC tend to carry considerable weight with policy-makers because they are generally exhaustive in detail and represent a wide range of stakeholders.

Sustainability Ratings

We believe that the cause of sustainability can be advanced rapidly with a simple but powerful market mechanism: establishing standardized sustainability performance metrics, so that customers can easily direct their spending power to companies that are more sustainable. Some partial forms of this mechanism already exist, such as the Carbon Disclosure Leadership Index (CDLI), the Carbon Performance Leadership Index (CPLI), and the application level system for sustainability reporting provided by the Global Reporting Initiative (GRI). UPS ranks in the top tier of global companies

on the CDLI and reports according to GRI at Application Level A+, as checked by GRI.

In 2012, the original founders of GRI, Ceres and Tellus Institute, joined together to propose a world-class standard for corporate sustainability ratings. This initiative, called the Global Initiative for Sustainability Ratings, is creating a standard to go alongside GRI's world-class standard for sustainability reporting. We believe this concept has considerable merit and we are supporting it financially, through participation in the standard development process, and by serving on the technical review committee.

From Vision 2050 to Action 2020

World Business Council for Sustainable Development (WBCSD) has developed a framework for re-imagining how commerce and society should function in a more sustainable world of the future. UPS is an active participant in WBCSD's "From Vision 2050 to Action 2020" process, which was developed out of the recognition that achieving a vision for 2050 requires prompt and focused action in the near term. One of the focus areas of the new process is climate change, which necessarily involves reducing carbon intensity in the transportation sector. In 2012, we helped to scope activities in the climate change focus area in a way that recognizes two somewhat paradoxical realities: **transportation companies generate substantial greenhouse gas emissions, yet they also enable the people and companies that use the transportation to reduce their GHGs.**

Humanitarian Relief

UPS has been responding to disasters around the world for decades, usually in close collaboration with top humanitarian relief agencies.

In recent years, we have developed our own Logistics Action Teams that help humanitarian relief agencies enhance their capabilities before and during disasters. We've also continued our commitment to capacity-building and technical expertise with our relief partners, to increase their overall logistical efficiency.

Superstorm Sandy



UPS delivery to ARC, Jersey City, New Jersey.

Sandy dealt a powerful, deadly blow to the U.S. coastal states of New York and New Jersey. UPS quickly pledged US\$1.5 million in cash and in-kind support to aid in the recovery efforts. This included a US\$250,000 grant to the American Red Cross, US\$250,000 in logistical aid for urgent response, and an additional US\$1 million in cash and in-kind support to a variety of relief organizations assisting in the region's long-term recovery. One of those organizations is the St. Bernard Project (see right).

UPS is a major supporter of the American Red Cross (ARC), and we were working together before the storm hit to establish Logistics Action Teams locally, develop supply chain enhancement initiatives, and look at new technologies. Throughout 2012, UPS had pre-positioned ARC supply trailers. As the storm approached, we began moving trailers into the area. Immediately after Sandy passed through, we also moved more than 100 trailers containing water, winter coats, blankets, cleaning supplies,

generators, and comfort kits. UPS volunteers worked with the ARC to deliver meals door-to-door in hard-hit areas such as Staten Island, New York. See next page.

We also made sure our own operations were up and running soon after the storm passed, so that we could deliver to our customers much-needed shipments coming in from friends and family members. As soon as conditions allowed, UPS drivers were back on the road making deliveries – to the surprise of residents whose streets were still flooded.

Famine in the Sahel



UNICEF Education Kits for refugee children delivered by UPS. Photo credit: © U.S. Fund for UNICEF / M. Brandt / 2012

Early in 2012, severe drought and political instability put a million children at risk of life-threatening malnutrition across the Sahel region of West and Central Africa. Tens of thousands of children were treated at rehabilitation centers for severe malnutrition, due to poor harvests, high food prices in a region with difficult logistics, and an armed conflict in Mali that drove an estimated 200,000 refugees into other countries in the Sahel.

UPS responded by donating three humanitarian relief flights. The first airlift came at the urgent request of UNICEF, one of our long-time humanitarian relief partners. As we learned more about the scale of the crisis, we quickly offered

two additional flights, which consolidated shipments from UNICEF, the U.N. World Food Programme, UNHCR, CARE, and other agencies. In all, we transported nearly 289 tons (262 metric tons) of supplies to Mali and Mauritania. The shipments included food, medicines, and UNICEF's School-in-a-Box kits for the region's children, along with portable warehouses used to store and distribute supplies. Our global logistics network coordinated supplies from multiple countries and consolidated them at our European hub in Germany before delivering them to the Sahel.

St. Bernard Project

Communities hit by natural disasters have a long road to recovery once their basic human needs have been met. The priorities then shift to rebuilding homes and lives. That's why we support the St. Bernard Project (SBP) with grants, an executive loan program, and skilled volunteers from the ranks of UPS employees. SBP was founded in New Orleans after Hurricane Katrina in 2005 to rebuild houses in the neighborhood known as St. Bernard Parish. Its leaders quickly realized they needed to improve their logistics and document their processes more effectively if they were to efficiently rebuild houses using donated funds and volunteer time. UPS signed on to advise about the logistics of warehousing and commodity tracking, and how IT could help. Toyota USA and GlaxoSmithKline also provided expertise in key areas.

Seven years on, SBP is still rebuilding homes in New Orleans. One difference is that the average time to rebuild a home has improved 47 percent, from 116 days to 61 days. Another is that SBP can now efficiently replicate this success in other communities, after learning from UPS experts how to identify and document key processes. With UPS support, SBP applied its labor and expertise in Joplin, Missouri after it was hit by tornadoes in 2011, and is actively engaged with communities in the northeastern U.S. affected by Superstorm Sandy in 2012. In both cases, SBP employed replicable processes that could be applied quickly and efficiently in more than one place – just like UPS and its global logistics network.

Stakeholder Statement— The American Red Cross



Gail J. McGovern
President and CEO

The American Red Cross disaster relief program focuses on meeting people's basic needs immediately after a disaster, and later being there longer-term for those most affected. Everything we are able to do in this area is because of the wonderful support of donors, volunteers, and partners like UPS.

In the four and a half months after Superstorm Sandy made landfall, we provided shelter stays for 81,000 people, delivered 16 million meals and snacks, distributed 7 million relief items, and provided nearly 113,000 health and mental health contacts for people in the area. Months after the storm, our long-term recovery program is focusing on helping 9,000 families whose homes were heavily damaged or destroyed.

Being prepared for that level of response is a team effort. Just within our own organization, the response to Sandy included Red Cross volunteers from all 50 states and the District of Columbia, plus Puerto Rico and American Samoa. We also rely heavily on the generous financial support we receive from corporations such as UPS that participate in our Annual Disaster Giving Program.

Some of our corporate partners are even more instrumental in creating an effective response operation, and UPS stands out as an excellent example of partnership in action. When it was clear that Sandy was going to do serious damage in a highly populated area, UPS helped us to pre-position Red Cross response trailers that were packed with relief supplies. We were already in an advanced stage of readiness due to logistics advice that we received from UPS in recent years, so we were better prepared than we've ever been for a disaster of this magnitude.

In addition to its regular support for the Annual Disaster Giving Program, UPS donated generously toward our response to Superstorm Sandy, and provided critically important transportation services and waves of volunteers. And that's just for one event.

Our best corporate partners help the American Red Cross become a better organization from top to bottom. They want full transparency in our financials and our governance, so they can turn around and tell our story to their own stakeholders with full confidence. They go behind the scenes to see how we do things and share best practices with us. They support us by holding blood drives where their employees donate some of the 10 million units of blood we provide to hospitals and clinics each year. They help us teach the thousands of CPR and First Aid classes we offer annually.

“Our best corporate partners help the American Red Cross become a better organization from top to bottom...UPS does all of this and more.”

UPS does all of this and more including volunteering with us during disaster relief efforts through UPS Logistics Action Teams. One of the reasons we are such good partners is that we both approach our missions in a similar way: with strong teamwork and a determination to always get better at what we do. The American Red Cross responds to nearly 70,000 disasters in an average year – from home fires to major disasters like hurricanes, floods, tornadoes and wildfires – so we need partners such as UPS that help us throughout the year, in multiple ways, with tremendous generosity and a spirit of collaboration.

The Global Challenge of Water

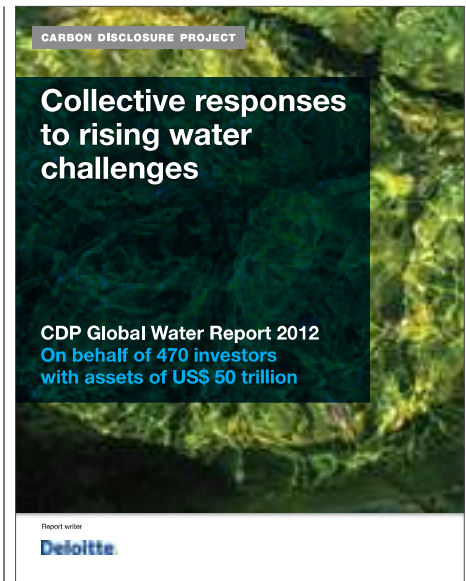
Water may not be as vital to transportation as it is to food or beverage companies. Yet it is vital to the communities we serve. That's why we're engaging with global leaders on water resource issues and reporting in detail on how we measure, manage, and mitigate our water consumption. It's not just the amount of water we use that matters – it's how we show stewardship regarding our planet's most essential natural resource.

Our global water stewardship strategy has three pillars. The first is **transparency**: disclosing comprehensively measured water data for our domestic and international operations, including a thorough assessment of our water risk worldwide. Our water usage may be minimal compared to other resources, such as fuels and energy, but we're still determined to adopt and implement best practices for measurement and disclosure.

The second pillar is **conservation**, beginning with a focus on the top 20 percent of facilities with the highest water use. We are also applying best practices for water conservation throughout the company.

The third pillar is **engagement**. Externally, we are collaborating with world leaders on water and reporting, in part by sharing our knowledge and in part by helping them disseminate ideas and guidance. For example, we are a member company of the World Business Council for Sustainable Development (WBCSD), working to develop tools and strategies related to global water resource issues. We used the WBCSD Global Water Tool to map our water risk in 2011. During 2012, we also contributed to the 2012 Global Water Report by CDP. Internally, we are engaging with our employees to make them aware of their water use and how to reduce it, both at work and at home.

For a full discussion of our global water stewardship strategy, see [page 93](#).



CDP is known for its pioneering approach to carbon reduction: creating a market-based incentive for companies to report publicly on their carbon emissions and strategies. CDP is also shining a spotlight on water use. UPS's Global Director for Sustainability, Steve Leffin, spoke at the release event for CDP's *Global Water Report 2012* in recognition of UPS's leadership status.

The Drive for Safer Communities

With more than 100,000 ground vehicles in our global logistics network, we care about road safety with a passion. It's the first thing our drivers learn, and the training doesn't stop. We're helping other drivers learn to be safer, too, because a safer world is a more sustainable world.

Following the launch of the United Nations' "Decade of Action for Road Safety" in 2011, we engaged with organizations around the world to provide funding and employee expertise for the cause of safer roads and drivers. Here are some notable examples from 2012:

Helmets for Kids



Road accidents are a major killer of young people worldwide. Asia Injury Prevention Foundation (AIP) is a non-profit organization founded to reduce road accidents and injuries. One of its key initiatives aims to put helmets on children in Southeast Asia, where scooters are one of the most popular forms of transport. UPS has pledged US\$450,000 to AIP over three years to purchase 27,500 helmets, and UPS employees are volunteering their time to urge schools, families, and children to adopt helmets as a way to embrace life and health.



Helmets donated in Vietnam.

NSEWA Learning Network

A 2009 World Health Organization study revealed that road safety records in the Republic of South Africa are among the worst in the world. So Fleet Forum, an organization with a focus on road safety for commercial fleets, joined with North Star Alliance, a specialist in training for mobile learners. With a grant from The UPS Foundation, they created the North-South-East-West Africa (NSEWA) Network, an innovative training system for commercial drivers in South Africa. Drivers listen to training CDs while on the road, gaining valuable knowledge about defensive driving as well as how to prevent exposure to communicable diseases such as HIV/AIDS. More information, including an introductory video, is online at www.nsewa.com.

UPS Road Code® Program



Motor vehicle crashes are the leading cause of death for teens in the U.S. That's the big reason we created the UPS Road Code program: to help save lives. The key to the program is how it engages teens with sophisticated multimedia and teaching techniques drawn from UPS's own driver safety courses. A grant from The UPS Foundation makes the technology available, and UPS employees teach on a volunteer basis. UPS Road Code is offered in 52 sites in the U.S. and three other countries: Canada, Germany, and England. The program will expand to Shanghai, China in 2013.

3

Innovation

Innovation

More of What Matters
UPS Corporate Sustainability Report 2012

UPS integrates people, processes, and technology to make global logistics more efficient for customers and society.

Features

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Executive Statement— Scott Wicker, Chief Sustainability Officer



The UPS Sustainability Report reflects how we are living in a material world.

At a time when the sustainability world is focused on scarcity and conservation, it may be counterintuitive to have a report theme focused on “more.” But we have our reasons.

In this Report, we have highlighted issues identified as important to our present and future success. Our theme “More of What Matters” reflects the renewed mission to focus our attention and resources on actions that can be most impactful in our operations, communities and the environment. In other words, we are spotlighting material issues.

“Our theme reflects the renewed mission to focus on actions that can be most impactful.”

We began this effort last year when we introduced our “materiality matrix” which showed the intersection of topics that our stakeholders deem important and those that our executives view as critical to our future success (see [page 65](#)).

To help our report readers identify the most important content at a glance, we have added a “More of What Matters” circle to the page. We also have all of our KPIs together this year on [pages 67-68](#) for better readability.

Key Performance Indicators always have signaled our most important issues. In 2012, we made significant achievements worth noting:

- We succeeded in reducing absolute Global Scope 1 and 2 CO₂e emissions by 2.1 percent compared to 2011, even as shipping volume increased 2.3 percent. This reflects the effectiveness of our comprehensive Greenhouse Gas Reduction Strategy detailed on [page 86](#).

- Lost Time Injuries and Automotive Accident Frequency dropped significantly, due in part to revamped training for front-line managers.
- Energy consumption in our facilities dropped, thanks to lighting upgrades, conservation efforts and investments in energy-saving equipment. Water usage also dropped.

Some of our important actions can't be captured in a graph or KPI. That's why we have specifically featured these stories in the front part of our report and we have added more context to the rest of the report.

One of the feature topics is how we serve the healthcare industry. By creating an efficient supply chain together, our customers are able to deliver better patient care. It's a collaboration that helps save lives. We also are honored to have a Henry Schein executive, Paul Rose, share his viewpoints on logistics, sustainability, and healthcare.

We also have addressed in this year's report content that highlights the issues raised by our stakeholders and the ways that we engage with others. Our engagement stories show how we are working with global leaders to address economic, social and environmental issues such as water scarcity, world trade, forestry preservation and restoration, road safety, and humanitarian relief. Some of our non-profit partners, Earthwatch and the American Red Cross, share their views.

As this report is released in 2013, we see new opportunities and important issues on the horizon. The future of fuels is one of those. Therefore, we speak in this Report about our robust “rolling laboratory” of alternative fuels including an increasing focus on natural gas. We also look ahead to new ventures and more of what matters.

Innovating for Sustainability

UPS is consistent in many ways: our values, our priorities, even our “look.” Yet UPS is also changing all the time. From the services we offer to the ways we deliver them, we constantly apply new ideas and technologies to make our business more sustainable.



We continually expand our use of new ideas, techniques, and technologies for driving and flying, so that we can use less fuel per package.

We create new services for customers, such as in healthcare, to help them achieve their goals more sustainably.

We’re expanding our use of renewable energy in facilities and alternative fuels in our ground fleet.

We consistently reevaluate our business processes to ensure that we advance efficiencies, manage our resources effectively, and utilize the most advanced operational thinking and business practices.

We’re constantly learning from global leaders about resource issues and how we can help tackle them.

We’re even transforming the way we teach, train, and develop our people to create more opportunities for them and the company.

One of the deepest levels of innovation at UPS is one you might not think of, but to us it’s essential. In many areas of our business, we’re gathering more detailed information than ever before, so that we can make smarter decisions – decisions that take into account the true impacts, costs, and benefits of what we do. Because in the end, that’s what sustainability demands from every company: more informed choices, based on better data, that lead to greater balance between the profit motive and the public good.

Fast Company Names UPS one of World’s Most Innovative Companies

People like UPS because we’re so dependable. Sometimes, we can also surprise you – in a good way. That’s what we did with our UPS My Choice™ service, which we introduced in 2012. The service tells customers a delivery is coming, and lets them choose the delivery day and location that’s most convenient for them. Customers avoid missed shipments, and we don’t make unnecessary stops and starts, which saves fuel and time. Everybody wins – including the environment.

More than half a million customers signed up in the first months of the UPS My Choice service. That caught the attention of Fast Company, the U.S.-based magazine that focuses on business, technology, and design. The magazine subsequently included UPS in its list of “The World’s 50 Most Innovative Companies” for 2012, citing UPS My Choice as the reason.



Helping Customers Save Lives

Society needs a more efficient healthcare industry – especially as drugs and devices become ever more complex, sensitive, and in demand by doctors and patients all over the world.



**More
of What
Matters**

Expensive inventories, unexpected temperature variations during transit, breaks in the chain of custody, promising therapies held back by the cost of regulatory compliance – our customers and our society simply can't afford these anymore.

That's why UPS has made a commitment to offer healthcare companies and providers a partner like they've never had before. We have seen first-hand that logistics can

help save lives, which is why we operate with a simple philosophy: *It's a patient, not a package.*[™]

We now have 36 dedicated healthcare facilities around the world, with 6.4 million square feet (0.595 million m²) of distribution space that is controlled for security, temperature, and humidity in compliance with the PDMA (Prescription Drug Marketing Act) and cGMP (current Good Manufacturing Practices). We hold hundreds of geographically-specific licenses and registrations worldwide to help our customers maintain compliance and stay ahead of regulatory changes. And in 2012, UPS opened three new facilities in Shanghai, China; Hangzhou, China; and Sydney, Australia.

We combine this specialized distribution network with our global transportation services to offer solutions such as UPS Temperature True[®] air freight for door-to-door transportation of temperature-sensitive products. With UPS Temperature True, we can proactively monitor shipments around-the-clock during transportation and intervene to prevent trouble before it can occur. For an extra layer of protection and available globally from UPS, the PharmaPort[™] 360 air freight container, was specifically designed to maintain optimal product conditions for palletized temperature-sensitive shipments. Its unique hybrid cooling system keeps products at a preset temperature without the environmental and safety concerns of conventional refrigeration. It can do this whether the outside temperature is -40° or +60° Celsius (-40° to 140° Fahrenheit).

Most importantly, we have the expertise and a set of flexible global solutions that can help reduce inefficiencies, and improve costs and competitiveness.

UPS is committed to making healthcare more efficient with global supply chain innovations.

With 36 dedicated facilities and healthcare teams worldwide, UPS can meet complex logistical needs.

Customers include pharmaceutical, biopharmaceutical, and medical device manufacturers as well as distributors and service providers.



Customer Statement— Henry Schein



Paul Rose
*Senior Vice President,
Global Supply Chain*



Like UPS, Henry Schein has looked deeply into what we can do to make a difference in society. Our goal is to make healthcare more accessible, affordable and effective for people around the world, especially those that are vulnerable and at risk. In 2011, Henry Schein provided charitable donations totaling nearly US\$6 million of product to medical, dental and veterinary community health clinics and humanitarian organizations.

A critical part of that mission is making sure that our products reach the right healthcare practitioners at the right time. That means taking out the pinch points from the supply chain, especially during disasters and emergencies when our practitioners and their patients need our goods the most. The call for help comes from all over the world; in recent years we have helped provide disaster relief in Japan, Australia, New Zealand, China, Pakistan, Haiti, Myanmar and across the U.S.

The job can be frustrating. Emergency supplies get delayed at border crossings, held up at customs, roads can be blocked with traffic, non-essential donations create bottlenecks. Fortunately, we work with our suppliers, manufacturing partners and practitioners on the ground to smooth the way. We are a hub, bringing together our supply chain partners, our Team Schein Members and Henry Schein Cares, our global corporate social responsibility program, for greater impact. They help us respond to urgent needs.

As our Chairman of the Board and CEO Stanley Bergman recently said, "Consider a new paradigm that elevates the social and philanthropic side of corporate responsibility to a value that is shared across the supply chain. Rather than having each member

of the supply chain 'go it alone' in its contribution to society, this model creates opportunities to achieve greater impact by learning from and building on each other's strengths. With suppliers and customers invited to participate and leverage the capabilities of a range of industry partners, established business relationships expand and unite in achieving enhanced corporate responsibility results."

Fortunately, we have a highly efficient and robust supply chain. From five distribution centers utilizing UPS's ground transportation network, we are able to reach most U.S. addresses within a single day. When storms recently struck in the Midwest, the South and the Northwest, we were able to respond quickly, saving lives and helping our practitioners to deliver care. Together with our Team Schein Members, supplier partners, and the Henry Schein Cares Foundation, we disbursed more than \$1 million in financial and healthcare product donations.

But we can do better. The global community of small, medium and large private sectors entities needs to collaborate on risk management and mitigation. For that reason, we have joined with the World Economic Forum, UPS, humanitarian relief agencies and others to better prepare for large-scale disease outbreaks and natural disasters. Together, we will be able to mobilize more quickly. Together, we can make an even greater difference to society.

Henry Schein and UPS work together to deliver healthcare products and services around the world.

In 2012, Henry Schein and its suppliers shared expertise and resources to deliver more than US\$1 million in financial and healthcare product donations.

In times of disaster, Henry Schein and UPS smooth the way for quicker deliveries to the scene.

Supply Chain Solutions for Healthcare

UPS for Healthcare

Healthcare companies have highly complex supply chains with unique requirements for storage and handling, transport, compliance documentation, packaging, and quality control. UPS vigilantly moves healthcare products around the world every day. UPS healthcare experts operate on the philosophy that *It's a patient, not a package™* to recognize the importance of each and every shipment. UPS has:

SPECIALIZED HEALTHCARE DISTRIBUTION FACILITIES

- Locations in North America, South America, Europe, and Asia to reach 80% of the world's population
- More than 6 million square feet (0.557 million m²) of dedicated healthcare product space
- Specially licensed and accredited (cGMP compliant or equivalent to local guidelines)
- Climate and temperature controlled capabilities including frozen and deep frozen environments

ROBUST GLOBAL TRANSPORTATION NETWORK

- All modes available including ground, air, and ocean
- Delivery available through wholesalers or direct to hospitals, clinics, retail pharmacies, physician offices, and even patients
- Services for temperature controlled transportation from storage to pickup to delivery
- Customs clearance for a seamless process for moving shipments across borders

TECHNOLOGY

- Single validated global IT platform that supports order entry to final payment with inventory and transport visibility
- Tracking technology to monitor all shipments throughout the supply chain
- Advanced technology to monitor temperature-sensitive products and processes to intervene to protect contents
- Specialized packaging, airfreight containers, and monitoring to ensure that shipments remain compliant with temperature and time delivery requirements

COMPLIANCE, CREDENTIALS, AND EXPERTISE

- UPS maintains hundreds of geographically-specific licenses and registrations to enable products to meet local requirements
- Global team of healthcare-focused regulatory compliance experts for efficient and consistent service
- Healthcare logistics experts to create supply chains that include contingency plans for risk reduction, product protection, and on-time delivery



3



Sustainable Benefits for the World

The healthcare industry provides social, economic, and environmental benefits: to save lives, improve life, and support the extension of affordable, effective and efficient healthcare to a growing global population. UPS provides the efficient and responsible supply chain necessary to provide these benefits.

ECONOMIC BENEFITS

- A more efficient healthcare industry reduces costs and gets healthcare products where they are most needed at the right time and in the right condition. This supports the financial well-being of healthcare companies and helps to ensure their long-term viability
- Robust and reliable supply chains ensure that products are delivered to patients for better outcomes, less loss and less spoilage
- UPS minimizes business interruptions due to holds, delays, and fines by helping to ensure compliance to all local regulations
- UPS supports the growth of the healthcare industry by offering the delivery options needed to serve multiple distribution channels including direct to patients, to healthcare providers, and to wholesalers

SOCIAL BENEFITS

- Access to affordable, efficient, and reliable healthcare is one of the world's greatest social challenges
- Financially strong healthcare companies are better able to expand to underserved communities and to provide charitable support around the world
- UPS supports reliable supply chains to ensure that patient needs are met on a timely basis
- UPS supports the delivery of in-kind charitable healthcare contributions during times of emergency, crisis, and natural disaster

ENVIRONMENTAL BENEFITS

- UPS pharmaceutical-grade shipping containers employ environmentally responsible technology to eliminate product spoilage
- UPS has a highly efficient transportation network that quantitatively and annually reports fuel conservation and carbon reduction benefits
- UPS's processes, packaging, and operations protect the contents of healthcare shipments, which reduces loss, waste, and reshipping – thus helping conserve natural resources

UPS carbon neutral Shipping



Offsetting the environmental impact of shipping is easy and effective. Just **choose the carbon neutral option** when you conduct an online shipping request. We also offer contractual services to collectively calculate the carbon emitted by customer shipping activities, and then mitigate those emissions with carbon offsets.



Offset the environmental impact of this shipment



The small incremental fee for the service supports **high-quality carbon emission offset projects around the world**. In 2012 these projects included the five projects illustrated below:

CARBON NEUTRAL STANDARDS

We calculate the CO₂ associated with a UPS shipment, purchase the offsets, and retire them. We do it according to high standards, including certification by The CarbonNeutral Company and verification by Société Générale de Surveillance.

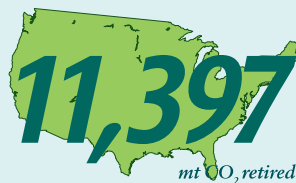


THAILAND



Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi) – The project activity involves recovery of fugitive biogas from the wastewater released from a tapioca starch processing plant.

U.S.A.



Big River and Salmon Creek Forests – This project reforms forest management practices on land purchased from a logging company by a consortium of conservation groups, and manages the land to ensure increasing carbon sequestration.

Garcia River Forest – The Garcia River Forest project uses conservation-based forest management to absorb and store carbon emissions while restoring wildlife habitat and protecting water quality.

CHINA



Suzhou Qizi Mountain Landfill Gas Recovery Project – Everbright Environment and Energy Landfill Gas to Energy Co., Ltd. developed this landfill gas recovery project at the Qizi Mountain Landfill in Suzhou, Jiangsu Province, China. The project involves landfill gas collection and processing, and generation of both electricity and heat.

KENYA



Kasigau Corridor – This pioneering program in Kenya implements critical activities for reducing deforestation while creating local sustainable development opportunities and protecting valuable ecosystems.

The Future of Fuels

UPS sparked a new process for evaluating alternative fuel sources.



World energy consumption is estimated to rise by around 40 percent between 2012 and 2030, our energy system is changing fundamentally, making companies' decisions about fuel more complex and important than ever before. While clean and renewable transportation technologies are gaining ground, petroleum will remain the backbone of our useful fuel resources for decades to come. In light of this, companies must make smarter decisions about their current choices among fuels, which often will be choices within fossil fuels.

In 2012, UPS helped launch a working group managed by BSR to advance the development of alternative fuels.

Participants include academics, corporations, NGOs, and environmentalists, representing many points of view.

The first result of the process is a publicly available report entitled *The Sustainability Impact of Fuels*. (<http://www.bsr.org/en/our-insights/report-view/the-sustainability-impacts-of-fuel>)

Increasingly, energy resources are being tapped from unconventional sources – from the Arctic's icy frontier to the abundant U.S. shale gas once thought too difficult to extract – creating more pressing environmental, human rights, and other sustainability challenges. Yet, until now, companies have not had an authoritative resource to weigh the sustainability trade-offs of their current fuel decisions.

BSR's Future of Fuels is filling that gap. This ambitious initiative – with leading experts from the private, nonprofit, public, and academic sectors – will help global companies like UPS understand the greatest sustainability impacts of their transportation fuel system, and what they can do about them.

Simply put, UPS is dependent on fuels for our vehicles, and we're not satisfied with the fuel options we have today. A host of constraints, ranging from economics to politics to infrastructure, currently limits our choices for low-emission or no-emission fuels. We also are keenly aware of our sustainability commitment – keeping a balance between economic, environmental and social factors.

And we know we can't do it alone. Engaging with other organizations, even those with opposing viewpoints, helps everyone understand the larger context and find consensus to move forward to action. The best agreements are built on foundations of transparent comprehensive data, and that's why the Future of Fuels Working Group will deliver a series of research papers and facilitated discussions, identifying and addressing key trade-offs throughout the value chain, covering the spectrum of sustainability challenges that are linked to this great energy transition.

The first paper entitled "The Sustainability Impact of Fuels" published in 2012, focused on understanding the total sustainability impacts of commercial transportation fuels. This understanding includes life-cycle analysis, so that we begin to fully account for all the resource and externality issues associated with today's fuels.

Continuous Technology Innovation

Technology powers logistics and makes our business more productive and efficient.

Safety

Safety Telematics helps ensure seatbelt compliance, and that bulkhead doors are properly closed.



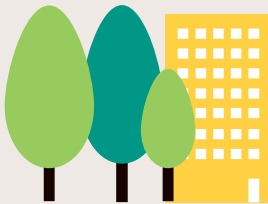
Improved Stops per Mile

Improved stops per mile saved 12.1 million miles of driving in 2012, which equates to approximately 1.3 million gallons of fuel.



Alternative Fuel and Technology Fleet

A "rolling laboratory" of nearly 2,700 alternative fuel/advanced technology vehicles, including electrics, electric hybrids, hydraulic hybrids, natural gas (propane, LNG, CNG), biomethane, and ethanol.

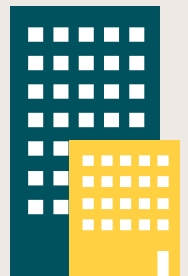


ORION

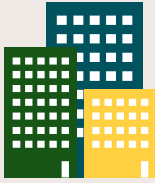
We've begun implementation of our On Road Integrated Optimization and Navigation ("ORION") system, which employs advanced algorithms to determine the optimal delivery route on a daily basis while meeting service commitments.

UPS Smart Pickup®

UPS Smart Pickup® is a scheduled pickup option that automatically notifies a UPS driver when you have processed a shipment. By requiring UPS to come only when a package is ready to ship, customers help save fuel and reduce emissions.



3



Avoiding Cross-Lane Turns

No cross-lane turns. Less engine idle time. Safer crossings. Higher MPG.



Sensors & GPS

Sensors throughout our vehicles generate data that help us plan smarter routes—and help our people learn more fuel-efficient driving techniques. Each night we upload the day's driving data to look for the next opportunity to get more efficient, and for vehicles that need maintenance to keep running clean and safe.

Telematics Technology utilizes...

- Engine Data
- GPS Data
- Sensor Data
- DIAD Data
- Map Data

Results

GREENHOUSE GAS REDUCTIONS

UPS uses proprietary IT and engineering technology extensively to reduce greenhouse gases.

TELEMATICS OUTPUTS

Telematics outputs combine maps of routes derived from GPS data and detailed reports on driver behavior. These and other outputs drive our planning, training, and maintenance activities.

FUEL AND EMISSIONS EFFICIENCY

UPS uses telematics extensively to increase miles per gallon and reduce greenhouse gas emissions. Telematics helped UPS cut over 206 million minutes of idling time in 2012 – saving more than 1.5 million gallons of fuel.

MILEAGE AND FUEL REDUCTION

Since 2001, UPS has avoided 364 million miles through technology – saving 39 million gallons of fuel and reducing 369,000 metric tonnes of CO₂.

OPERATIONAL IMPROVEMENT

Even tiny operational improvements from telematics data can cut millions of miles from the total. Data is captured on more than 200 elements including speed, seatbelt use, and engine idling. This information and driver coaching reduces fuel consumption, emissions, and maintenance costs while improving safety. And, customers experience more consistent pick up times and more reliable deliveries.

Practical Innovation: Telematics, Alternative Fuels, and Advanced Technologies in the UPS Ground Fleet

A tune-up for your car starts with downloading data from sensors in the engine and transmission. We gather this information for 80,000 vehicles – every business day.



Above: UPS Cargo Cruiser, Germany.
Right: UPS alternative fuel vehicle, Germany.



UPS electric vehicle, Laden, Germany.

More
of What
Matters

UPS's proprietary telematics system gathers data on more than 200 performance variables for vehicles and drivers, to help reduce the miles we drive per package we handle.

Telematics data enables more sustainable maintenance programs and more efficient use of vehicles and fuels while meeting commitments to customers.

UPS had 2,688 alternative fuel/advanced technology vehicles in operation in ten countries at the end of 2012.

At UPS, we take a holistic approach to meeting customer commitments as efficiently as possible. We expect our people to perform at a high level around the clock, and we want our vehicles to do the same. So we apply practical innovation, using technology known as telematics, to measure how vehicles and drivers perform on more than 200 different variables.

Our proprietary telematics system helps us achieve numerous operational objectives that matter to sustainability, including the following:

- **Optimizing routing:** Telematics enables our route planners to minimize miles driven, reduce time spent idling at stoplights, avoid congested streets, backtrack as little as possible, and combine multiple pickups and deliveries with a single stop.

- **Higher miles per gallon:** Telematics enables our drivers to see their relative MPG performance combined with actionable data about how to improve it.
- **Timely maintenance:** The most sustainable way to perform vehicle maintenance is to do it just before parts or fluids need to be replaced. With telematics, we're getting closer to that moment all the time.
- **Safety:** Few things are more sustainable than safety. We use telematics data to help us keep safety a priority while on the road and on the job, such as monitoring use of safety belts and the closure of bulkhead doors.

In 2012, we reached 96 percent completion of our targeted telematics implementation for our U.S. Domestic Package segment, totaling more than 74,800 vehicles. We made rapid progress with telematics in our Supply Chain & Freight segment as well, both in implementation and changing driver behavior based on telematics data. And we began taking telematics overseas in our International segment. For more information on these topics, see [pages 89-91](#).

Along with optimizing our conventional ground fleet, we're running a "rolling laboratory" of alternative fuel/advanced technology vehicles. At the end of 2012, we had 2,688 of these vehicles on the road, working in ten countries under actual operating conditions, so we can see precisely how well they perform measured by cost, fuel use, and emissions. This is one of many examples of UPS using its size and strength to help society develop sustainability solutions for the future. In 2012, the UPS non-conventional fleet reached 295 million miles driven in actual service, starting from the baseline year of 2000. More information is provided on [page 90](#).

Building a Virtual University

Learning and development never stops at UPS. There's no classroom big enough to hold us all – and no travel budget big enough to send us all to a training course somewhere. Instead we're building an online university that helps us excel at our jobs, add new capabilities, and advance our careers from wherever we are.



Image of the UPS University Game, which gives employees an engaging introduction to UPS's fast-growing online education system.

**More
of What
Matters**

To keep things simple for our customers, we have to be experts in complexity. We're B2B, B2C, retail, wholesale, local, international, a common carrier, a freight forwarder, a customs broker, a consultant, a franchisor, a union employer, a philanthropic foundation, and one of the world's largest airlines. And we're striving to be more sustainable at all of them. That's why employee learning and development matter so much to UPS: they are essential to our non-stop innovation and evolution.

Since 2009, we have been transforming our training and development offerings and how we deliver them. In 2012, we began implementing one of our most ambitious plans: to build our online education resource, UPS University. When it is complete, UPS University will be able to teach, train, develop, and provide reference materials to nearly 70,000

UPSers – through a common user interface, wherever we are, whenever we want to learn. This will make training and development far more flexible for our people and substantially reduce the travel (and greenhouse gas emissions) required to attend in-person courses.

UPS University is a centerpiece of our strategy for making employee development a shared responsibility of individuals and their managers. In many large companies, employees must rely on their manager to offer the right training opportunities. In start-ups, people tend to learn what they need, just in time for whatever challenge they are taking on next. We're aiming for the best of both worlds: giving managers enough tools and information to assign training and development with precision, and giving employees easy access to thousands of options for proactively building their skills and abilities – including beyond the scope of their present jobs.

In 2012, UPS University delivered a wide range of new content that addresses several new employee populations. Among them were our innovative UPS Integrad® training for new delivery drivers; hundreds of training and reference items for our aircraft maintenance teams; a complete training program for franchisees of The UPS Store®; and career development courses and reference materials for nearly 40,000 full-time management employees. In 2013, we plan to add content for part-time supervisors and specialists and our compliance teams, among others.

UPS University offers a broad range of content for training and development on an innovative electronic platform, so that learning and development can take place anywhere, anytime.

Employees can access assigned training and also pursue their own development independently.

In 2012, UPS University began offering more courses and content to nearly 70,000 UPSers.

4

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2012

News from 2012

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UPS Volunteer of the Year

The 2012 Jim Casey Award goes to Joseph Sosa of the U.S.

Global Volunteer Month

Another year, another record outpouring of support for communities.



4

Marketplace



London 2012 Olympic and Paralympic Games

UPS was the Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games. That made us responsible for virtually all distribution and logistics services for 36 official venues and everything inside them, including a million pieces of sports equipment and the medals for every winner. As well-known British sports presenter and UPS Games Ambassador Steve Rider put it before the Games, "If you picked up all the Olympic venues and turned them upside down, everything that fell out – besides humans and horses – we are responsible for."

We met the challenge with an integrated supply chain that could handle venue logistics, warehousing, and distribution of everything from light documents to heavy freight. We also handled all customs clearance, freight forwarding, and courier services before, during, and after the Games.

But meeting our responsibilities was not all we did. We also demonstrated our commitment to sustainability, because the London organizers wanted to make theirs "the greenest Games ever." In fact, we won an award from the U.K.'s Freight Transportation Association for our sustainability efforts.

We expanded our **alternative fuel/ advanced technology fleet** in England with ten biomethane-diesel vehicles and two electric and three hybrid electric vehicles. We also began implementing our proprietary telematics system in and around London to help optimize routes, reduce energy consumption, and improve customer service and driver safety. In the most congested areas of London, we made deliveries

using bicycles and trolleys, powered by human energy. And we employed barges that carried 38 containers of furniture for the athletes village on the River Thames in London, which had seen little or no commercial barge traffic for decades.

Like the athletes that set new records during the 2012 London Games, UPS achieved a result never before attained by an official supporter. With our enterprise-wide carbon measurement capability, we were able to **accurately determine the total amount of greenhouse gas emissions (GHGs)** from our massive logistics contribution to the games. This included all the travel and hospitality for UPS employees and 700 corporate guests who came from around the world. And once we counted up all the GHGs, we purchased carbon offsets to help mitigate the climate impact.

Finally, we intended to leave a legacy of our participation in the Games, something that would benefit local inhabitants long afterward. We discovered that the historic **St. James Church**, in the Piccadilly neighborhood of downtown London, had stopped maintaining its park-like garden due to budget constraints. After seeing the distressed state of the garden, we donated funds for new landscaping and renovations. UPSers from all over the U.K. volunteered to do much of the work. We also demonstrated that the church could generate new revenue with the garden by renting it to the local community as a venue for events.

Blue and Brown Make Green

UPS and the United States Postal Service (USPS) have been competitors for decades. In recent years, we have added another dimension to our relationship: partners. The Postal Service delivers a portion of the parcels originating in our U.S. Domestic Package segment, over the so-called "last mile" to customers and businesses. Meanwhile, UPS transports high-priority mail by air for USPS.

By working together, we can provide customers with better service, lower prices, and new products. But that's not all. When the world's largest postal service and the world's largest package delivery company work together, we can also operate more vehicles at higher load capacity, which reduces carbon emissions intensity across the supply chain.

In 2012, the Postal Service sought a more complete picture of its total carbon footprint and asked UPS to provide data on the carbon that UPS emits in moving mail by air. Meanwhile, the International Post Corporation (IPC), an association of postal services around the world, had already asked USPS to choose an exemplary supplier to showcase how postal services can work with supply chain partners to reduce greenhouse gas emissions across their combined supply chain. Because of UPS's operational performance and the depth and detail of the emissions data we're able to provide our customers and partners, USPS chose UPS.

Thus, on November 15, 2012, the U.S. Postal Service, as a participating organization in IPC's Environmental Measurement and Monitoring System, published a joint video with UPS, entitled "Blue and Brown Make Green." The video features U.S. Postmaster General Patrick Donahoe and UPS CEO Scott Davis describing how the two companies work together. Since then, USPS has shown the video on several occasions to suppliers.



U.S. Postmaster General Patrick Donahoe and Scott Davis.

Environment



Building LNG Infrastructure for Commercial Transport

In 2012, U.S. President Barack Obama visited a UPS facility in Las Vegas and said, "As the people at UPS understand, we've got to have an all-out, all-in, all-of-the-above strategy that develops every source of American energy." As he spoke, President Obama was standing in front of a UPS tractor powered with liquefied natural gas that was produced in the United States.

Liquefied natural gas (LNG) is one of the most promising alternatives to conventional diesel fuel

for trucks, especially in the United States. LNG-configured heavy-duty tractors combine strong pulling power and long range, so they compete operationally with comparable diesel-powered tractors – while offering a lower emission profile. The cost of operation can also be lower, because LNG is growing in availability from sources within the United States and thus is not burdened with the issues associated with imported oil.

The challenge is creating a critical mass that brings prices down. LNG tractors can travel only within range of LNG fueling stations, and it's not cost-effective to build those stations without plenty of vehicles to use them. That's one of the reasons for President Obama's visit: UPS is making substantial financial and operational investments in LNG vehicles and infrastructure in the United States. Bigger LNG fleets enable manufacturers to achieve economies

of scale. They also make it economically viable for companies to build fueling and maintenance stations. As LNG-fueled commercial transportation becomes more widely affordable, it will help the country lower its greenhouse gas emissions.

UPS already plays an important role in the nation's longest LNG corridor, known as the Interstate Clean Transportation Corridor (ICTC). This corridor stretches from the West Coast to the Rocky Mountains and into the Southwest. We built a station along the ICTC in 2010 and have deployed 93 LNG tractors in the region, and by mid-2013, we had deployed more than 100 LNG tractors.

In the Southeastern United States, UPS is rapidly building up a substantial presence in LNG-fueled commercial transportation primarily using a hub-and-spokes strategy, which means that our long-haul tractors return each evening to a base near one of our LNG fueling stations. When possible, we make these fueling stations available to the public so that other companies can benefit from greater availability of LNG as well.

In 2012, we planned and budgeted for two new LNG stations in Tennessee, in Nashville and Knoxville, and for 122 new LNG tractors to utilize these stations. We expect to announce more LNG stations and tractor purchases during 2013, which will expand the number of regions and states we serve with low-emission LNG technology.



United States ICTC corridor where UPS participates.

Workplace



Circle of Honor member, Thomas Camp.

Safety Worth Celebrating

We expect a lot from UPS drivers. They must meet customer expectations for timely pickups and deliveries, often under demanding circumstances, and successfully represent their fellow employees during every customer contact, no matter how brief or complex. And, of course, they must be among the safest drivers on the road, no matter where their routes take them.

For all these reasons, we celebrate safety that goes above and beyond even our high expectations. Drivers who earn the right enter the UPS "Circle of Honor." It is truly an honor because so many people at all levels of the company have been drivers and know what it takes. To achieve entry, UPS employees must drive for the company for 25 years without an avoidable accident. In 2012, 1,283 drivers reached that milestone, including drivers from Canada, Germany, Puerto Rico, and the United States. Our dedicated force of veteran female drivers sent 36 women to the Circle of Honor in 2012.

Meanwhile, many other members of the Circle of Honor are maintaining their perfect records long after 25 years. Collectively, the 6,486 drivers in the Circle of Honor have logged more than 5 billion miles. That's enough miles to circle the earth 200,000 times. In 2012, **Thomas Camp reached 50 years of accident-free driving with UPS.** He joined Ron Sowder, who reached the elite 50-year level in 2011.



Buddy of the Cincinnati Zoo.

If it Walks Like a Penguin, it Must be a UPS Driver

Icy streets and sidewalks are especially dangerous for delivery drivers on a tight schedule. That's why UPS facilities in colder climates add special training and safety demonstrations when winter approaches. Two of the most distinctive trainers in 2012 were known only by their first names: Pepe and Buddy. Pepe lives in Chicago, Illinois at the Brookfield Zoo and visited our Addison, Illinois facility at the invitation of its employee safety committee. Buddy hails from the Cincinnati Zoo in Ohio and visited a UPS facility nearby. Both Pepe and Buddy came to demonstrate a safety specialty innate to their species: walking like a penguin.

Penguins rarely slip and fall on ice and snow, because of their well-adapted shuffling gait. Pepe's visit to UPS made the newspapers, and soon employee safety committees at other facilities began teaching the penguin walk to their fellow employees. So **if you see a cold-climate UPS driver walking flat-footed, with her feet pointed outward and her knees bent, it's not arthritis. It's a safety technique from *Spheniscus humboldti*.**

Community

They all say they were “happy to help” and “just did what was needed.” But when UPSers save lives, we call them heroes anyway.

We Call Them Heroes

Here are some of the heroes of 2012:

Rob Geyer of the Seattle South Center (Washington) was working his delivery route when he noticed a man collapsed on the sidewalk with a heart attack. Geyer **called 911 and started CPR**. His fast action was the reason the man survived until paramedics arrived and restarted his heart.

Dave Ediss of the Nampa, Idaho Center was on his regular route when he came upon a head-on collision. One of the vehicles held a mother and two children unable to free themselves – and the car was on fire. Ediss **got them out before the vehicle was completely engulfed in flames**.

K.C. Mattox of the Presidio Service Center (San Francisco, California) and his wife were on their way to work when they encountered a couple who needed help delivering their baby – in a commuter train parking lot. After a successful birth, Mattox **pulled the laces out of his work boots to tie off the baby’s umbilical cord**.

Eric Logan of the Parris Island Center (Beaufort, South Carolina) was working his route when a car in front of him careened off the highway into a marsh. Logan **first rescued five children from the partly submerged car, then started CPR on the unconscious driver**, who revived before emergency responders arrived.

Dale Simmons of Pleasantdale, Georgia was on his route when he came to the scene of an accident. The driver of one of the vehicles was dazed and unmoving, even though her car was on fire. Simmons **got her out of the car and a safe distance away before the vehicle was fully aflame**.

Reynaldo Alcantara of the Manhattan West Center (New York) loves animals, and in 2012 he got a chance to show just how much. Making a stop on the Upper West Side, he **spotted a Jack Russell terrier that was choking on a bone**. Alcantara knew how to close the animal’s mouth and force air into its nose. A moment later, out popped the bone.

Volunteer of the Year



The James E. Casey Community Service Award, named for the founder of UPS, recognizes one individual at UPS each year that demonstrates exceptional commitment to helping others. The 2012 winner is Joseph Sosa of Hialeah Gardens, Florida. Sosa’s family tree has deep roots in the village of Buenos Aires in rural Colombia. He and his father created a foundation named after his grandmother, known to all as “Mami Dora,” to help children in Buenos Aires and other impoverished villages. **Every few months, he travels from Florida to Buenos Aires bringing food, medicine, books, and more for children who are ill, disabled, or simply in need**. It’s a journey of many hours, but Sosa doesn’t mind. He made a promise to Mami Dora that he would do all he could for the children of her village, and he’s keeping his promise.

Global Volunteer Month

UPSers volunteer all year long, around the world, because of their own sense of civic duty and their ability to contribute needed skills and experience to grassroots organizations. Each October, they celebrate Global Volunteer Month by donating their time in even bigger numbers than usual. And the numbers are truly getting bigger. UPS volunteers logged 309,520 hours in Global Volunteer Month in 2012, more than 50 percent above expectations. That helped take the year’s total number of volunteer hours to a new record at 1.8 million, up from 1.6 million hours in 2011. The total for 2012 includes contributions from UPSers and their friends and families in 50 countries around the world.



Replanting a mangrove forest in the Philippines.

5 GRI Reporting

GRI Reporting

More of What Matters
UPS Corporate Sustainability Report 2012



2012 Highlights

Carbon Reduction and Avoidance

Our successes in addressing climate change were numerous again in 2012. They are all based on our comprehensive ability to measure, manage, and mitigate greenhouse gas emissions throughout our global operations, as described later in this Report and summarized below.

With **intermodal shifting**, we avoided approximately 3.3 million metric tonnes of carbon emissions while keeping commitments to customers. The total includes nearly 2.4 million metric tonnes avoided by shifting delivery volume from air to ground, and 0.9 million metric tonnes avoided by shifting volume from ground to rail.

With **telematics**, we avoided 14,000 metric tonnes of carbon emissions by preventing 206 million minutes of idling time that would have consumed 1.5 million gallons of fuel.

With **telematics and other technologies**, we avoided 13,000 metric tonnes of carbon emissions by reducing stops per mile, which avoided more than 12.1 million miles of driving and consumption of 1.3 million gallons of fuel compared to 2011.

We improved efficiency at **UPS Airlines**, primarily by reducing block hours (see [page 87](#)) by 1.1 percent even though shipping volume for the airline rose 4.8 percent compared to 2011. Since 2008, we have increased our package volume per block hour by 15 percent, which ultimately reduces carbon.

We continued to bring the fuel and emissions efficiency of our **freight business** closer to the high level of our package delivery business:

- By increasing the pounds of freight hauled per gallon of fuel through load and dispatch optimization, we avoided consumption of 1 million gallons of fuel.
- In the U.S., our freight vehicles avoided 2,600 metric tonnes of emissions, primarily by **dropping idle time** per driver per day by 61 percent compared to 2011. The equivalent fuel savings was 250,000 gallons.

We again logged many more miles in our growing fleet of **alternative fuel and advanced technology vehicles**:

- The fleet increased to 2,688 vehicles.
- It logged 49 million miles in 2012 – a 43 percent increase compared to 2011.
- Total miles driven since 2000 reached 295 million (see table on [page 90](#).)
- Our new goal for the alternative fuel fleet is 1 billion miles driven by 2017, more than double the previous goal of 400 million.

With so many strong performances in our operating units, we achieved a result that surpassed even our high expectations: **an absolute reduction in Global Scope 1 and 2 CO₂e emissions compared to 2011.**

- Scope 1 and 2 emissions declined by 2.1 percent year-over-year, even though shipping volume increased 2.3 percent.
- All three of our business segments contributed to the reduction, which means it was truly global in scale and widely distributed throughout our operations.
- In our U.S. Domestic Package segment, we increased the number of ground packages delivered per gallon of fuel for the fourth straight year (see [page 90](#)).

Marketplace

We increased the scale of our dedicated infrastructure for healthcare customers in the Asia Pacific region by nearly 377,000 square feet (35,000 m²) with **new facilities in Hangzhou, Shanghai and Sydney**. Our healthcare distribution network now includes 36 dedicated facilities around the world.

We successfully fulfilled the demanding expectations associated with being the Official Logistics and Express Delivery Supporter for the **London 2012 Olympic and Paralympic Games**.

Behind the scenes, we accurately measured the greenhouse gas emissions associated with all our activities for the Games, which spanned the globe and also included travel and hospitality for all UPS employees and 700 visitors we invited to London.

We then purchased carbon offsets to effectively zero out our entire carbon footprint for the Games. For more information, see [page 51](#) of this Report and our Corporate Sustainability Report for 2011 (ups.com/sustainability).

Workplace

All four KPIs related to the UPS workplace showed positive progress in 2012: two for **employee satisfaction** (see [page 102](#)) and two for **safety on the job**.

We substantially expanded **UPS University**, which provides thousands of educational choices to employees online.

Community

Total Charitable Contributions, our community-focused KPI, increased to US\$97.5 million.

UPS employees, families and friends donated **1.8 million volunteer hours** to non-profit organizations, a new high.

More than 1,400 UPS employees stepped forward to become **Sustainability Ambassadors** within the company and in their communities, acting as advocates for the environment at work, at home, and in their communities.

The GRI Reporting section of this Report is organized and presented according to the 3.1 framework established by the Global Reporting Initiative (GRI).

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Executive Statement— Steve Leffin, Director, Global Sustainability



Corporations have always used resources strategically. To be sustainable, they also have to use resources wisely and look ahead to see the potential of technology, policy, action, and operations to make a more sustainable world. This Report looks at all four. We chose the theme of “**More of What Matters**” to spotlight how UPS is using engagement, investment, innovation, and operations to increase sustainability in our workplace, the marketplace, the environment, and communities around the world.

Doing more of what matters means being constructively dissatisfied with what we do today, while continually seeking creative approaches to our challenges – even when it’s hard to find a solution that balances the social, economic, and environmental aspects of our business. Even when it takes years for the right solution to fully pay off.

An example of that for us was solar energy (see [page 98](#)). For years, we have been eager to make the economics work more sustainably in our favor. We wanted to own and operate the systems ourselves, rather than the usual model of renting our roofs to a third party in exchange for lower energy rates. In 2011, we refined our engineered solution that took advantage of declining prices for solar panels and equipment, and built our first solar installation using the new own-and-operate model. In 2013, we began to replicate the model with **more solar installations**, including two in the first quarter of the year in New Jersey.

Alternative fuel and technology investments are also a challenging area (see [page 47](#)). We operate a “rolling laboratory” of more than 2,600 vehicles that fall into the alternative category – one of the biggest such fleets in the industry. In 2012, we **continued to add to our alternative fuel fleet, including biomethane**. But we still want to make our ground fleet more sustainable. Unfortunately, there is no one best vehicle that meets our requirements. Each technology has limitations.

The challenge is even greater for our tractor-trailer fleet because the tractors need greater pulling power than a package delivery vehicle. In 2012, liquefied natural gas (LNG) vehicles finally became a viable option worthy of broad-scale deployment, and we made substantial investments (see [page 52](#)). LNG vehicles offer fuel costs almost half those of traditional diesel vehicles, with lower emissions of greenhouse gases. Domestic production of natural gas is increasing in our largest national market, the United States, and LNG vehicles are becoming more affordable as more of them are manufactured. We plan to have many **more LNG tractors** in our fleet in the near future. The return on investment may take years, but the benefits for the environment can begin immediately.

Sometimes the “more” that we do comes incrementally. UPS invests more than US\$1 billion a year on technology and much of that is dedicated to **making our operations more efficient**. Telematics is a great example of a technology that we have had in operation for many years but which continues to generate more benefits as we take advantage of technological advances, better data, and more applications. We continue to install **more telematics** in our fleet and expect even more benefits in the future. It gives us unprecedented visibility into all the primary variables that affect fuel usage during every stage of our on-road delivery processes, and we use that visibility aggressively to dial in our vehicles and how we use them. The results include benefits in safety, customer service, fuel savings, and efficiency. We quantify those benefits beginning on [page 89](#).

Data is a valuable yet often overlooked asset for sustainability, because it shows us both opportunities to do more of what matters and how effectively we are acting on those opportunities. The fact is, measurement is critical to improvement. Increasingly, we are sharing data with others, including customers and NGOs, to help them see and address sustainability opportunities. We are committed to **more transparency** so that our stakeholders are assured that we are environmentally, socially, and economically responsible.

Others are helping us to move forward with more of what matters. Over the course of a typical year, we engage with hundreds of organizations and individuals around the world to seek their ideas, to monitor their expectations, and to listen to their concerns. In this Report, we describe representative engagements (see [pages 21-22](#)) to show how we are joining with other organizations so that we can have **more impact together**.

The clear understanding we get from our engagements is that the our planet and our economic well-being will face **more risks in the future which means there are ever more opportunities and more needs for collaboration**. The world will see a growing population (rising from 7 billion people to 9 billion in the next 20 years) with increasing energy needs (increasing 40 percent or more over the next 20 years). There will also be abundant challenges with agriculture, food production, water and other things that are vital to the quality of life.

With greater demands than ever on our natural resources, it will take all of us to find more and better solutions than we have today. **UPS is committed to doing more of what matters.**

UPS Reporting Leadership

UPS has steadily increased the breadth, depth, accuracy and transparency of its sustainability reporting, in association with widely recognized international organizations, standards, and protocols.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
								Reporting on Materiality Matrix	
							Mapping facilities by water risk per Global Water Tool	Reporting on water risk strategies	First in sector to report to CDP Water Report
							Transportation Intensity Index (Climate Leaders goal) reported		
							Carbon inventory assured by Deloitte & Touche LLP and verified by Société Générale de Surveillance		
							Scope 3 reporting using GHG Protocol Corporate Value Chain Reporting and Accounting Standard		
							5 of 11 applicable categories	6 of 11 applicable categories	7 of 11 applicable categories
							No. 1 worldwide for consumer shipping on Climate Counts Scorecard		No. 2 world-wide for all sectors on Climate Counts Scorecard
							CO ₂ e reporting for Scopes 1 & 2	CO ₂ e reporting for global enterprise Scopes 1, 2, and 3	
							Sustainability Report "GRI checked"		
							Automotive goal announced	Automotive goal reported	
							Sustainability Report assured by Deloitte & Touche LLP (AICPA Standard AT101)		
						Airline goal announced	Airline goal reported annually		
	CDP "Fabulous 50" for climate leadership	Climate Leadership Index (CLI)			S&P 500 Carbon Disclosure Leadership Index (CDLI)	Global & S&P 500 Carbon Disclosure Leadership Index (CDLI)		Top score on CDLI - Global & S&P 500	Top score on CDLI - U.S. & S&P 500 (see p. 23)
Annual reporting to Carbon Disclosure Project									
Domestic Inventory Reporting Scopes 1&2					Reporting on global enterprise carbon inventory				
5-year KPIs and goals set	Progress Reported for KPIs and goals				KPIs expanded	Progress reported for KPIs and goals			
Corporate Sustainability Report structured according to GRI									
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012

Report Parameters

Profile

This Report focuses on data for 2012, often accompanied by equivalent data from one or more prior years for context. For Key Performance Indicators (KPIs), we present data for up to four previous years (see [pages 67-68](#)). We provide a complete GRI content index in [Appendix F](#).

Unless otherwise noted, the data we provided in this Report is directly comparable to information in past Reports, both in structure and in detail. We have not restated information from prior years, however we have recalculated our 2010 and 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

The Report is organized and presented according to the G3.1 GRI framework established by the Global Reporting Initiative (GRI)—the most widely used sustainability reporting framework, with guidelines setting out the principles and indicators that organizations can use to measure their economic, environmental and social performance. While fulfilling the requirements of GRI, we also present substantial additional information not specified by GRI, such as statements contributed by outside stakeholders and infographics showing important relationships.

GRI's framework includes levels (A, B or C) for sustainability reports to indicate how completely the guidelines were applied. Reporters can self-assign their Application Level or receive an Application Level from GRI ("Statement—GRI Application Level Check"). In either case, a plus sign (+) with the Application Level indicates that the reporting organization has submitted its Report for third-party assurance of the Application Level. UPS submits its Corporate Sustainability Reports to GRI for the Application Level Check and to Deloitte & Touche LLP ("Deloitte") for third-party assurance. GRI's Statement concerning this Report is on [page 72](#). As in 2011, the Application Level assigned to this Report by GRI, and assured by Deloitte, is an A+.

Scope and Boundary

We define the boundary for this report based on the operational control method (as defined by the GHG Protocol). 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 emissions sources (CO₂e Scope 1, 2 and 3), to the extent of our report scope and boundary as disclosed in [Appendix B](#) of this Report.
- We break out certain data for our U.S. Domestic Package segment because it is our largest business segment.
- We break out certain data for our Supply Chain & Freight segment, because it is our fastest-growing business segment.
- We break out certain data for UPS Airlines because it is our most energy-intensive mode of transport and constitutes the largest source of greenhouse gas emissions in our global logistics network.
- 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 that are made in North America only (Canada, Mexico, Puerto Rico, and the U.S.).

Assurance Policy

We believe that independent outside assurance is vital to the credibility and transparency of sustainability reporting and performance for all companies, which in turn helps promote the cause of sustainability more widely. We therefore conduct our assurance policy to include the following steps:

- We engage Deloitte & Touche LLP to assure this entire Corporate Sustainability Report. Deloitte & Touche LLP's Assurance Report statement is on [page 71](#).
- We engage Deloitte & Touche LLP to assure our global Statement of Greenhouse Gas Emissions. Their statement regarding this assurance is included in Appendix B, on [page 128](#).
- We engage Société Générale de Surveillance (SGS) to verify our global Statement of Greenhouse Gas Emissions. Their statement regarding this assurance is Appendix C on [pages 129-130](#).

Third-Party Assurance and Verification

UPS secures third-party assurance for the contents of the Corporate Sustainability Report, specifically including both assurance and verification of greenhouse gas disclosures. The independent organization providing the assurance is Deloitte & Touche LLP. The independent organization providing verification of our greenhouse gas disclosures is Société Générale de Surveillance (SGS).

We engaged Deloitte & Touche LLP to conduct an examination, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for the year ended December 31, 2011 and 2012.

We also engaged Deloitte & Touche LLP to conduct a review, in accordance with attestation standards established by the American Institute of Certified Public Accountants, which includes AT Section 101, Attest Engagements, to provide a limited level of assurance on our 2012 Corporate Sustainability Report. Deloitte & Touche LLP's assurance statements are on [pages 71](#) and [128](#), respectively.

We engaged SGS to conduct a verification, in accordance with ISO 14064-3, to provide a reasonable level of assurance on our Statement of Greenhouse Gas emissions for the year ended December 31, 2012. The verification statement is on [pages 129-130](#).

GRI Indicators

Disclosures on GRI performance indicators are marked with brown circles near the titles of chapters and their subsections. Global Reporting Initiative (GRI) performance indicators are important because they support transparent and comparable disclosures about sustainability. GRI's comprehensive framework for sustainability reporting includes 81 performance indicators across the areas of economic, environmental and social sustainability. UPS has voluntarily followed GRI reporting guidelines since 2003. This includes 17 "supplemental" performance indicators for the transportation and logistics industry. In Appendix F, we provide a convenient index to our disclosures for all GRI indicators (see [page 134](#)).

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Contact Us

We invite readers to send us comments or questions regarding the Report to pr@ups.com. You can also reach us by mail:

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

Materiality and Stakeholder Engagement

We determine materiality for the information in this Report with two nested processes. The larger process is our overall stakeholder engagement process, which considers our touch points with outside organizations and employee representatives. The process includes commitments to external initiatives in the areas of sustainability advocacy, public policy, and humanitarian relief, among others.

Within the stakeholder engagement process, every two to three years we conduct a more focused, structured materiality analysis with management, employees, and selected stakeholders. These individuals and organizations have substantial knowledge and expertise regarding UPS, materiality, sustainability, and corporate reporting.

Both these processes are discussed below, followed by a discussion of actions taken in 2012 as a result of our materiality and stakeholder engagement processes.

Stakeholder Engagement Process

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 many of 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 scores of assessments, surveys, and inquiries by non-government organizations 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 regulators, non-profits, 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 regarding 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 employee concerns;
- 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.

Commitments to External Initiatives

We participate actively in organizations influential in environmental issues, such as the World Resources Institute (WRI), World Business Council for Sustainable Development (WBCSD), BSR, Corporate Responsibility Officers (CRO), the World Economic Forum (WEF), Corporate Eco-Forum (CEF), and others.

UPS employees serve on a number of technical committees for WRI and WBCSD that develop environmental and climate standards and guidelines.

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 Airlines for America (A4A), formerly Air Transport Association of America (ATA).

We are active in a number of programs with the U.S. Environmental Protection Agency (EPA) aimed at influencing or executing U.S. climate change policy, and we are a member of the National Clean Fleets Partnership.

We participate in a number of industry councils and consortiums involved with environmental sustainability, including the North American Council on Freight Efficiency (NACFE).

In 2012, UPS continued to execute a multi-year, multi-million-dollar initiative to improve the capabilities of relief organizations to respond to global emergencies. The effort, which involves both UPS and The UPS Foundation, began with a 2009 commitment of up to US\$9 million over two years in the form of financial grants, in-kind services, and the deployment of logistics expertise. The commitment benefits some of the world’s most respected

relief organizations, including the American Red Cross, UNICEF, the U.N. World Food Programme, and CARE.

We provide additional information on related topics in “Engagement,” beginning on [page 63](#).

Materiality Analysis

UPS worked with the non-profit organization BSR to evaluate 61 significant sustainability issues. These issues generally fall into the following broad categories: community impact, emissions/fuel/carbon, employee impact, environmental impact (emissions, facilities, noise, fleets, waste, water), ethics and governance, global social and economic trends, human rights, privacy and security, products and services for customers, and supplier practices. We then ranked each issue’s importance based on feedback from our management and multiple stakeholders. We reported on the results of this process in our UPS 2011 Corporate Sustainability Report and reprinted relevant material in this Report.

Actions Corresponding to the Materiality Matrix in 2012

In this Report, we note actions taken in 2012 that correspond to issues that appear in the upper right quadrant, which means they have high importance both for UPS business success and for our stakeholders.

Note that most of the items reported here are described in more detail in other areas of this Report. Because the issues in the upper right quadrant of the matrix have been material for UPS for years, if not decades, we began reporting about them previously and continue to do so this year. We also note actions we took that were new in 2012, related to the upper quadrant of our matrix.

Transparency, Accountability & Reporting

We devote an entire chapter in this Report to transparency, accountability, and reporting. Please see “Report Profile” beginning on [page 61](#).

Greenhouse Gas Policy & Advocacy

We devote considerable space in this Report to issues associated with greenhouse gas reduction policy and advocacy. Please see “Engagement” beginning on [page 63](#).

Ethics

NEW We initiated a new communications strategy in 2012 with an inclusive, personalized theme: “Compliance and Ethics...It Begins With You.” The strategy included a newly designed intranet site that contained refreshed messaging on compliance, a web reporting tool for employee concerns, and interactive online training courses on compliance topics such as anti-corruption, antitrust, boycotts, embargoes and restrictive trade practices, business continuity management, conflicts of interest, contract compliance, employment law compliance, information privacy, political activities, and the help line, among others. Every quarter

we publish a newsletter highlighting a compliance or regulatory area and changes to recent legislation. (See “Operating Responsibly in Society” on [page 79](#).)

Megacities/Infrastructure

UPS is engaged with numerous non-governmental organizations (NGOs) addressing sustainability issues associated with urban infrastructure and the growing number of so-called “megacities.” This term refers to cities with more than 10 million inhabitants. We are fully aware that transportation of goods within and between megacities has implications for climate change, society, and the economy. This is one of the reasons we:

- Devote considerable resources to making our ground vehicles more efficient with regard to fuel and emissions.
- Devote considerable resources to limiting the amount of miles we drive to the minimum required to meet commitments to customers.
- Operate a large and growing fleet of vehicles using alternative fuels and advanced technology.
- Invest substantially in vehicles configured to use domestically produced natural gas, which has a lower emission profile than imported/processed diesel fuel.
- Participate in multi-stakeholder efforts to advance the development and availability of lower-emission fuels.

In 2012, we took a number of new steps or reached significant new milestones with regard to urban transportation challenges. These included the following:

- In the United States, we completed a massive, multi-year deployment of telematics technology in the ground vehicles of our U.S. Domestic Package segment (see [page 47](#)) and continued to expand our telematics deployment in our International segment.
- NEW In the U.K., we demonstrated the viability of human-powered vehicles and river barges during the London 2012 Olympic Games, to address traffic congestion in one of the world’s densest urban cores, and deployed biomethane-fueled heavy-duty vehicles with dramatically reduced emissions.
- NEW In Germany, we demonstrated a prototype electrically-assisted tricycle to address issues of air quality, noise, and congestion in urban centers, and an electric version of a downtown delivery vehicle that brings low-noise, zero-tailpipe-emission delivery capability to city centers.

Trade Barriers

UPS CEO Scott Davis serves on the President’s Export Council, a non-partisan body that serves as the United States’ principal national advisory committee on international trade. As in past years, Mr. Davis gave a number of public speeches on the benefits of free trade, as did other senior executives. (See “Public Policy Engagement” on [page 29](#).)

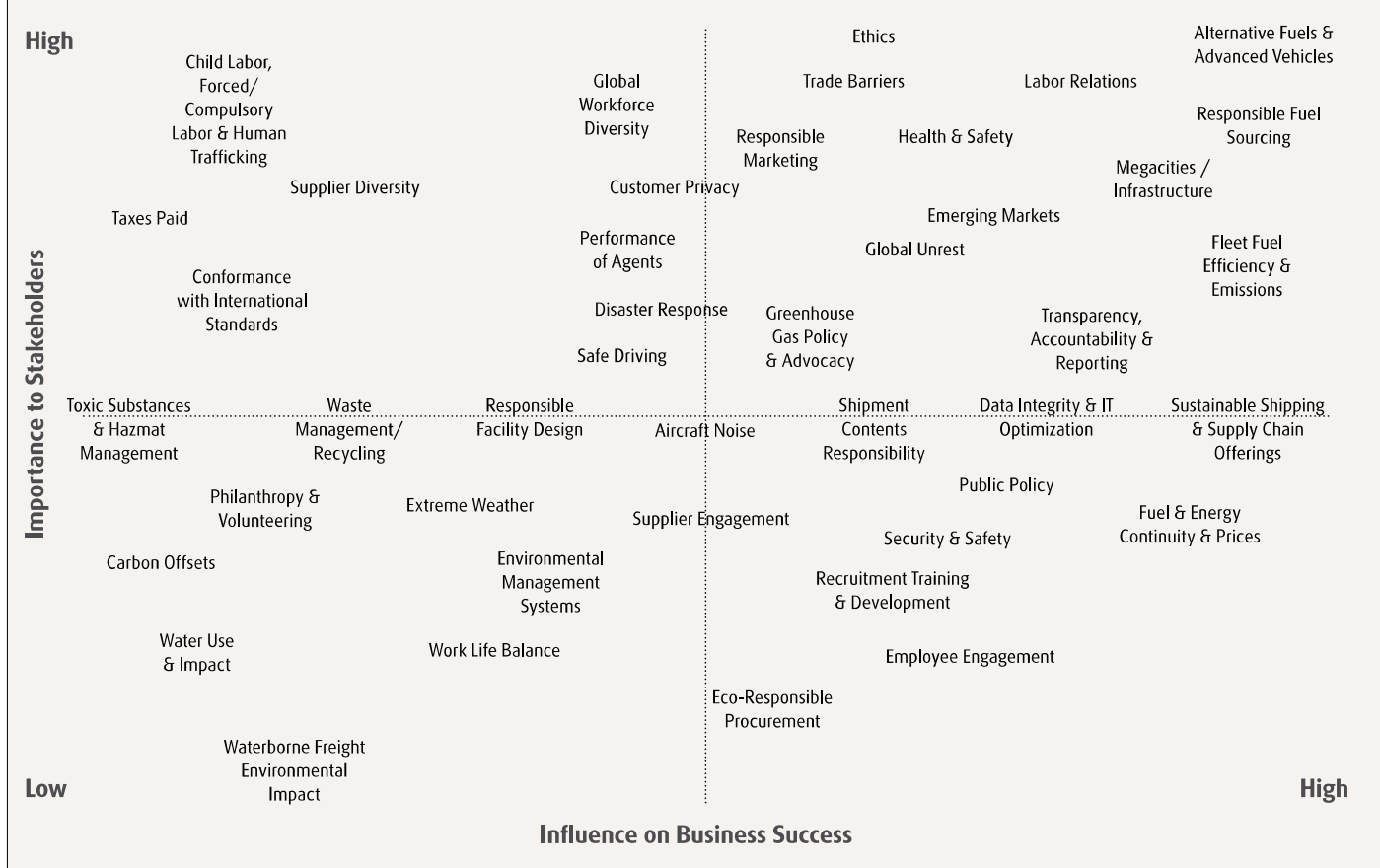
Labor Relations

2013 includes a contract negotiation round with the union representing the largest number of UPS employees, the International Brotherhood of Teamsters. We devoted considerable time and attention in 2012 to preparing for this negotiation and others that will take place in 2013.

Responsible Marketing

NEW Based on stakeholder feedback from our materiality exercise, responsible marketing is primarily defined as environmental packaging, customer privacy, and transparent and accurate environmental claims. We report extensively on our packaging on [page 78](#). For transparent and accurate environmental claims, we show as evidence the extensive disclosures we have about our operations throughout this Report and the appendixes that follow. For privacy, we cite our new privacy initiatives listed in the Marketplace chapter on [page 77](#). Additionally, we offset the carbon emissions associated with our operations as Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games, including the travel and hospitality for more than 700 customers and their guests. (See “News from 2012” on [page 51](#).)

Materiality Matrix



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Key Performance Indicators

Health & Safety

Our deep and comprehensive commitment to health and safety is described in multiple areas of this Report. In 2012, we:

- Maintained our substantial resource commitment to safety training (see [page 76](#)).
- Maintained generous health benefits for employees (see [page 103](#)).
- Added safety training content to UPS University for easier access by employees (see [page 48](#)).
- Implemented new cockpit safety measures in cooperation with our pilots' union (see [page 104](#)).
- Expanded implementation of NextGen technologies and techniques for increased air safety (see [page 89](#)).

Emerging Markets

Emerging markets are important for UPS's future, because continuing their rapid growth and development will generate demand for efficient and responsible logistics services. In 2012, we continued to build relationships and donated funds and in-kind transportation relief in 35 countries. We added three dedicated healthcare facilities in Asia to serve both mature and emerging markets (see [page 39](#)). In 2013, we plan to add dedicated resources to emerging market expansion.

Global Unrest

UPS is affected by global unrest largely in the form of threats to our business continuity. We mitigate the risk of such interruptions by operating a global logistics network that is as flexible and resilient as possible, so that we can keep our commitments to customers and still protect the safety of our employees.

At a high level, we view global unrest as often resulting from economic disparity or disaster. UPS can play a role in creating economic opportunity as a good employer, as a catalyst for economic development, as a provider of disaster relief services, and as a partner for growing businesses.

To aid the decision-makers in our sustainability governance system, we manage sustainability performance using hundreds of quantitative measures throughout our global enterprise. Some are highly detailed and individualized, such as metrics for vehicles and drivers related to fuel efficiency. 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.

We have identified 16 performance measurements that we consider Key Performance Indicators (KPIs) for the sustainability of our business. We do not include financial measures in this Report, as they are presented in detail in the UPS Annual Report.

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. This is because carbon intensity (per-unit 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). We provide additional explanation of carbon intensity on [page 70](#).

Most of our environmental KPIs correspond to GRI performance indicators. In many cases we provide global enterprise data as well as breakouts for our largest reportable business segment (U.S. Domestic Package) and our largest emissions source (UPS Airlines).

The table on [pages 67-68](#) summarizes all Key Performance Indicators (KPIs) presented in this Report. Data for all these KPIs were presented in our previous Reports. We discuss individual KPIs in the relevant sections of this Report where they appear.

KPI table on following page...

Key Performance Indicators



Results improved from 2011
* recalculated, see [page 61](#)
** 2017 goal

KPI Description	Units	2009	2010	2011	2012	2016 goal	2020 goal	Result
Transportation Intensity Index (p. 84-85) <i>All U.S. Operations and Global Airlines</i> The Transportation Index sums our transportation-related Scope 1 and 2 emissions in the United States (from our U.S. Domestic Package segment and the U.S. operations of our Supply Chain & Freight segment) and in our global air operations (UPS Airlines).	% reduction U.S. Package: lbs CO ₂ e/package Global Airlines: lbs CO ₂ e/ATM U.S. Freight: lbs CO ₂ e/lbs freight	—	-6.1%	-7.8%	-11.7%	-10%	—	Result exceeds target of 10% reduction compared to 2007 baseline
Energy Consumption – Normalized (p. 132) <i>U.S. Domestic Package</i> Energy consumption (U.S.) includes stationary sources of energy and mobile sources of energy (gasoline, diesel, Jet A, and compressed natural gas).	GJ/1,000 packages GJ/US\$1,000 of revenue	29.33 3.44	29.23 3.30	28.78 3.09	27.60 2.94	—	—	Further reduction in energy intensity (consumption normalized to packages and revenue)
Gallons of Fuel per Ground Package (p. 90) <i>U.S. Domestic Package</i> Fuel consumption (U.S.) includes gasoline, diesel, compressed natural gas, fuel for rail services divided by total United States ground and air volume moved on ground.	gal. fuel/package	0.121	0.117	0.116	0.113	—	—	Less fuel per package
CO₂e Emissions – Normalized (p. 84) <i>U.S. Domestic Package</i> GHG emissions (U.S.) 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).	mt/1,000 packages mt/US\$100,000 of revenue	2.20 25.81	2.18* 24.60*	2.13* 22.87*	2.05 21.80	—	—	Further reduction in emissions intensity (emissions normalized to packages and revenue)
Alternative Fuel & Advanced Technology Miles Driven (p. 90) Global Operations Alternative fuel and advanced technology vehicles include: compressed natural gas (CNG), propane, liquefied natural gas (LNG), liquefied petroleum gas (LPG), diesel hybrid electric, gasoline hybrid electric, diesel hybrid hydraulic and full electric vehicles.	cumulative miles driven since 2000	185M	212M	246M	295M	1B**	—	Revised 2017 goal to 1 billion, up from 400 million
Aircraft Emissions per Payload Capacity UPS Airlines – Global Operations Total emissions of HC, CO, and NO _x in kgs from aircraft takeoffs and landings below 3,000 feet of altitude divided by the sum of maximum structural payload capacity (in thousands of kgs) weighted by annual aircraft cycles.	emissions/payload capacity	0.75	0.73	0.73	0.73	0.73	—	2016 emissions goal achieved again in 2012
Aviation Gallons Burned per 100 Available Ton Miles UPS Airlines – Global Operations Gallons of jet fuel consumed for every 100 tons of capacity transported one nautical mile.	gal. fuel/100 ATM	6.63	6.57	6.66	6.62	—	6.27	Reduction in fuel intensity despite market contraction that reduced long-haul flights
CO₂ Pounds per Available Ton Mile (p. 88) UPS Airlines – Global Operations Pounds of CO ₂ emitted for every ton of capacity transported one nautical mile.	lbs CO ₂ /ATM	1.40	1.39	1.41	1.40	—	1.24	Reduction in emissions intensity despite market contraction that reduced long-haul flights

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Results improved from 2011
Results declined from 2011

KPI Description	Units	2009	2010	2011	2012	2016 goal	2020 goal	Result
Water Consumption – Normalized (p. 93) <i>U.S. Domestic Package</i> Water consumption (U.S.) includes all facility related water and water used to wash vehicles – expressed in cubic meters.	m ³ /1,000 packages	1.18	1.19	1.16	1.07	—	—	5% decline in water usage in our largest business segment
	m ³ /US\$1,000 of revenue	0.138	0.134	0.124	0.114	—	—	
Penalties as a Percentage of Total Environmental Inspections (p. 96) <i>U.S. Domestic Package, U.S. Supply Chain & Freight</i> Environment related fines paid (U.S.) as a percent of total environment related agency inspections.	penalty % U.S. DP	1.00%	1.12%	1.18%	0.62%	—	—	Total environmental penalties remain low
	penalty % U.S. SC&F	1.10%	1.24%	2.30%	1.14%	—	—	
Number of Reportable Spills (p. 96) <i>U.S. Domestic Package, U.S. Supply Chain & Freight</i> Spills that meet criteria of being federal or state reportable.	spills U.S. DP	75	67	75	94	—	—	Number of spills up slightly, but spill volume down 14%
	spills U.S. SC&F	38	41	44	50	—	—	
Full-Time Employee Retention Rate <i>Global Operations</i> Percent of all full-time employees that stay with our company annually.	% retention	92.6%	91.9%	90.1%	90.6%	87.5%	—	Employee retention exceeds 2016 goal
Employer of Choice Index <i>Global Operations</i> A subset of 20 questions from the Employee Opinion Survey that assess employees' opinions of how UPS attracts, retains, --and motivates employees.	%	70%	66%	68%	71%	72%	—	Employer of Choice Index improves
Lost Time Injury Frequency <i>Global Operations</i> Injury cases involving days away from work. This number represents the number of occurrences per 200,000 hours worked.	injuries/200,000 hours	2.11	1.99	1.88	1.71	1.75	—	Lost Time Injuries continue 4-year decline
Auto Accident Frequency <i>Global Operations</i> Total number of vehicular accidents (regardless of severity) per 100,000 driver hours.	accidents/100,000 hours	10.9	10.3	9.3	8.9	9.0	—	Auto accident frequency down 18% since 2009
Total Charitable Contributions (p. 112) <i>Global Operations</i> Includes charitable contributions and sponsorships, corporate grants, in-kind services, internal scholarship programs, local grants, United Way corporate contributions, and United Way employee/retiree contributions.	donation amount in US\$	97.6M	97.1M	93.5M	97.5M	103M	—	Charitable contributions up in 2012

Supply Chain Transparency and Scope 3 Reporting

Driving Emission Reduction in Corporate Value Chains

Every successful company knows that the cost and quality of its products depends on costs and quality in the supply chain. Many companies also understand that assessing their greenhouse gas emissions is a productive way to identify cost savings related to energy use and operating efficiency.

Until recently, few companies combined these two perspectives. That has changed with the introduction of the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (known as the “Scope 3 Standard”) and the Product Life Cycle Accounting and Reporting Standard (known as the “Product Standard”). The main purpose of these voluntary standards is to help companies understand their entire value chain, both upstream and downstream, in a new way. Well-managed companies already know that both customers and suppliers influence the cost and quality of what the company offers. With the Scope 3 Standard and the Product Standard, companies can gain a similar understanding of what their customers and suppliers contribute in terms of carbon emissions—whether from manufacturing, transportation services, product disposal, or other activities.

Once they gain this understanding, companies that care about their carbon can engage in more meaningful dialog with suppliers of parts, components, or raw materials. This dialog is likely to cascade up and down the supply chain, because so many companies in the global economy are both customers and suppliers.

It’s always been true that the various phases of a product’s life cycle include energy processes that result in greenhouse gas emissions. This starts with growing or extracting raw materials, includes energy expended in using the product, and ends when the product is recycled or becomes waste. The difference today is that the Scope 3 standard is pulling back the curtain on a formerly hidden equation.

At UPS, we welcome the new light being shed on carbon emissions in corporate value chains. One reason is that our supply chain and transportation activities are part of the value chain for 8.8 million customers around the world on an average business day. When we reduce our carbon, we do the same for the Scope 3 emissions of our customers. We also help customers understand our contribution to their carbon inventory in detail, accurately, and comprehensively, with third-party validation. This gives them the information and confidence they need to adjust their priorities and processes to get equivalent or better business results with lower emissions. And of course we have many suppliers of our own, whom we can inspire and influence to reduce their carbon footprint. After all, their footprint is part of ours—and so on up and down the value chain.

Update on UPS Scope 3 Reporting

EN29

UPS was one of the first companies in the transportation and logistics sector to comprehensively report Scope 3 emissions. For the third year, we are reporting according to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard, which includes 15 emissions categories covering the entire corporate value chain.

In 2012, we were once again able to increase the scope and boundary of our reporting. We are now reporting on seven of 15 possible categories, adding one. It is our intention to report on all Scope 3 categories that apply to UPS. We have already determined that four categories do not apply to UPS, and further analysis may exclude additional categories. We report on the following (details are in Appendix B):

- **Category 3 – Fuel and Energy Related Activities:** We report on the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A aircraft fuel, diesel, gasoline, compressed natural gas (CNG), liquefied propane gas (LPG), liquefied natural gas (LNG), natural gas, heating oil, and propane. In addition, we report the upstream emissions for the generation of purchased electricity and the transmission and distribution losses.
- **Category 4 – Purchased Transportation & Distribution (upstream):** This category continues to be our largest source of Scope 3 emissions. It includes all forms of the of the transportation we purchase including air, rail, road, and ocean movements by third-parties.
- **Category 5 – Waste Generated in Operations:** We are now reporting emissions occurring from all wastes (landfill, recycled, incinerated, recovered) in the U.S. We intend to disclose waste generated from other countries in future years as our data collection systems grow and mature.
- **Category 6 – Business Travel:** This category includes emissions from air, rail, and car travel for business-related activities for all our global operations.
- **Category 7 – Employee Commuting:** We report on this category for our global operations.
- **Category 12 – End-of-Life Treatment of Sold Products:** We are reporting on this category for the first time this year. This category includes the disposal and recycling of all UPS-branded packaging and labels globally.

- Category 14 – Franchises: UPS franchisees operate more than 4,700 The UPS Store locations in Canada, India, Puerto Rico, and the United States. We have estimated their emissions in order to report on this category.

A detailed breakdown and scope and boundary of all the Scope 3 categories begins on [page 117](#) of Appendix B.

Intensity Metrics are Part of the Solution

As climate change becomes a more pressing issue for society and private enterprise around the world, policy makers are faced with tough decisions. One of the biggest issues is determining what incentives and disincentives are most likely to slow the increase in human-caused greenhouse gas emissions. Should all countries and companies be required to reduce their emissions, and be penalized if they don't? Or should society look for mechanisms that deliver broader, aggregate emission reduction for entire industries, regions, or even the whole planet?

These questions are particularly important for transportation companies. Societies around the world have long agreed that public transportation is good, because when people share transportation they use less energy and generate fewer emissions in getting to their destination. This is the same principle behind railroads and airlines: it's better to combine the long-distance trips of many people into a much smaller number of vehicles. The same goes for shipping goods through highly efficient global logistics networks, like the one we've built at UPS.

Certainly it's better for society if transportation systems generate fewer emissions. But what if we told individual transportation companies that they must reduce their emissions each year on an absolute basis compared to the year before? The easiest way for a transportation company to do that is to reduce the amount of passengers or goods it carries, either by reducing capacity or the scope of services it offers.

This achieves the small goal of reducing emissions for that one company, but it fails the larger goal of helping the whole global economy increase its sustainability. As long as population increases and society wants standards of living to rise in ways that have historically increased carbon emissions, we need to utilize our most efficient modes of transport more, not less.

This is one of the reasons economists developed metrics for what is known as "carbon intensity." These metrics tell companies how much fuel they use or emissions they generate per unit of output or revenue. At UPS, for example, we report on carbon emissions per package we deliver in the U.S. and per ton-mile of air cargo we carry. (You can find these metrics and specific examples of how we achieve carbon intensity reductions in "Environment" beginning on [page 81](#).)

The benefit of carbon intensity metrics is that they focus companies on getting more efficient, no matter what they do and how fast they grow. This benefit is vitally important in transportation, because the sector as a whole is a major consumer of fossil fuels – on behalf of all the other industries it serves. We need transportation to get more efficient, and we also need the sector's most efficient companies to grow as the global economy grows. This will inevitably increase the emissions they generate on an absolute basis, but it will also help drive down emissions for society overall.

At UPS, we believe every company should understand its total absolute carbon emissions in detail. We do, and we report on them in detail every year (see Appendix B on [page 117](#)). At the same time, we don't believe that every company should be praised or blamed—or penalized—based only on absolute numbers. We understand why some respected organizations are pushing hard for absolute emission reductions by all companies in all industries, and we respectfully submit that this may not be the best approach in all cases.

Carbon intensity metrics are a valid, meaningful way of understanding the challenges of climate change, and for certain industries they can be a better way to evaluate the progress we all want.

Independent Accountants' Review Report

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

We have reviewed the accompanying Corporate Sustainability Report of United Parcel Service, Inc. (the "Company") for the year ended December 31, 2012. The Company's management is responsible for the Corporate Sustainability Report.

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

The preparation of the Corporate Sustainability Report requires management to interpret the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Different entities may make different but acceptable interpretations and determinations. The Corporate Sustainability Report includes information regarding the Company's corporate social responsibility initiatives and targets, the estimated future impact of events that have occurred or are expected to occur, commitments, and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because events and circumstances frequently do not occur as expected.

Based on our review, nothing came to our attention that caused us to believe that the Corporate Sustainability Report does not include, in all material respects, the required elements of the Global Reporting Initiative G3.1 Sustainability Reporting Framework for Application Level A; that the 2012, 2011, 2010, 2009 data, and the 2007 Transportation Index baseline included therein have not been accurately derived, in all material respects, from the Company's records, or that the underlying information, determinations, estimates, and assumptions of the Company do not provide a reasonable basis for the disclosures contained therein.

The comparative disclosures for periods prior to 2009, other than the 2007 Transportation Index baseline information, were not reviewed by us and, accordingly, we do not express any form of assurance on them.

June 26, 2013

Where Is That Carbon Coming From?

If you think delivery vehicles are the biggest source, think again.

Like our main competitors in the transportation and logistics sector, we have invested in vehicles that use alternative fuels and advanced technologies, because they generate fewer greenhouse gas emissions than conventional vehicles. In fact, with 2,688 alternative fuel and advanced technology vehicles in operation in 2012 (and more on order in 2013), we have one of the largest and most diverse alternative fleets in the logistics industry.

Like most companies, we put signs on these vehicles to let people on the street know what type of fuel or technology it uses. But vehicles are not the biggest factor in our greenhouse gas reduction strategy. They definitely help us and other companies, but there are other factors in a global transportation network that matter more.

The pickup and delivery vehicles (both alternative and conventional) that we operate in our largest business segment, U.S. Domestic Package, account for only 20 percent of greenhouse gas emissions for the segment. All our facilities in the United States put together account for another 10 percent. That means that the large majority of our carbon emissions—70 percent—comes from the parts of our logistics network most people don't see: planes, trains and long-haul trucks. While the percentages may vary from company to company, this is the likely reality for our nearest competitors as well.

That's a big reason why we devote so much time, energy, and capital in making our entire network more efficient—and why we describe those efforts in detail in this Report. Our overall greenhouse gas reduction strategy is to manage, optimize, and integrate everything in our global logistics network, everywhere, all the time. That's how we are working to reduce our carbon intensity, while helping the global economy grow more efficiently. For more information on our progress in this area, see "Transportation Intensity Index" on [pages 84-85](#).

GRI Application Level Check



Statement GRI Application Level Check

GRI hereby states that **United Parcel Service, Inc.** has presented its report "UPS Corporate Sustainability Report 2012 - More of What Matters" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 June 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because United Parcel Service, Inc. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 3 June 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Marketplace— Introduction

UPS's economic sustainability starts with helping other businesses become more sustainable. We do that by handling our customers' shipping and logistics activities more cost-effectively and resource-efficiently than they could do it themselves. Then we do more. We create additional direct economic value by compensating our employees well, paying out a share of profits to shareholders, directing a growing percentage of our procurement spending to small and diverse businesses, and contributing to our communities in the form of funding for The UPS Foundation and matching funds for our employees' donations to United Way charities. A thriving global economy makes UPS more sustainable in every way.

What drives our economic value creation is our world-class logistics capability. Our integrated logistics network—and people who operate it—makes us efficient and careful with resources by habit and inclination. It also inspires creation of new products aimed at helping customers become more efficient right along with us. The less we waste, the more we are able to share with others. And the more we can successfully expand our business by satisfying customers, the greater the positive impact we can have.

- Our global logistics network is a nimble giant: able to handle all kinds of services without duplicating time or energy.
- We use our vast network and IT capabilities to optimize transport that satisfies our customers, whether it's on the ground, in the air, over water, or in any combination.
- We equip, load, and route every vehicle and airplane we own for maximum efficiency: minimizing the miles we travel while maximizing the amount of shipping we accomplish.
- We operate a large, diverse, and expanding fleet of alternative fuel and advanced technology vehicles, to reduce our emissions and help society test new automotive technologies.
- We design and maintain our distribution facilities for maximum efficiency. We also operate multi-client facilities that help everyone minimize energy, water use, and waste.
- We systematically teach, train, and promote our employees so they, and UPS, can reach our full potential.
- We have invested considerable resources over many years to understand our environmental impact, and we're using our knowledge to help our customers manage their emissions, too.
- We share our logistics assets and expertise to help other organizations—both commercial and non-profit—become more efficient and effective.

Management Approach

The economic sustainability of UPS is inextricably linked to the sustainability of the global economy, because we play a key role in facilitating trade. In 2012, we delivered an average of approximately 16.3 million packages each business day, for an average of 8.8 million customers per day. Because our work is connecting individuals and organizations in more than 220 countries and territories each day, we have a clear understanding of how far globalization has progressed, and how it plays out in different circumstances. We know from first-hand experience how global trade has improved people's lives and increased cooperation among nations. We can also see the consequences of unsustainable actions and decisions taken by people, corporations, or governments.

The reality of our interconnectedness drives our management approach to economic sustainability—when the global economy thrives, we thrive. Therefore we strive to deliver value for customers, shareholders, and stakeholders in a responsible manner, including products and services that help customers meet their sustainability objectives.

We report on our actions and results transparently, so that customers and other stakeholders can compare UPS to other companies. This Report, and its application of the standards of the Global Reporting Initiative (GRI) is just one example of that transparency. We also conduct a vigorous investor relations program for shareholders and publish comprehensive annual and quarterly financial reports.

We steadily expand our international business outside the U.S. in order to facilitate global free trade. The flexible, multimodal design of our logistics network is a direct response to the fact that we must connect all types of participants in the global marketplace, from rural sole proprietors to urban multinationals. The scale of our robust network is designed to increase the flow of goods and services traded within the global economy.

At the same time, we continually strive to increase the energy and emissions efficiency of our network, so we can leverage that efficiency into the value chains of our customers. We offer logistics consulting services for the same reason. We know from direct experience how an inefficient value chain can limit a customer's growth and profitability, while adding to the carbon footprint. We are managing and expanding our business internationally to help address these two issues on a global scale.

We use our purchasing power to create sustainable opportunities for others. Given the choice, we choose to source from businesses that offer more sustainable options for the goods and services we need. We also direct our procurement spending to small and diverse businesses. UPS was founded by an entrepreneur more

Economic Benefit

than a century ago, and remained a small business for years. Furthermore, we have seen the power of small business formation improve the lives of people all over the world. Among other factors, small-business formation in many countries is a powerful opportunity for women to increase their economic and global literacy and, with it, the well-being of their families and their communities.

Policy, Goals, Performance

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

Our financial goals and performance are documented extensively online and in our Annual Report (investors.ups.com). A summary table of financial highlights for 2012 and 2011 is on [page 8](#).

UPS's pension and post-retirement plan obligations are discussed in detail in our Annual Report, primarily in Notes 4 and 5 to the Consolidated Financial Statements beginning on [page 55](#) of the Annual Report on Form 10-K. In 2012, we made contributions totaling US\$917 million to pension and post-retirement plans. We met the funding contribution requirements for all of the defined benefit plans that we maintain.

UPS does not receive significant financial assistance from the government. We do participate in public-private partnerships that may involve tax incentives, such as the Interstate Clean Transportation Corridor (ICTC) in the Western U.S. This is one of the most heavily traveled commercial freight corridors in the world, and UPS is working with numerous government agencies and other companies to build out the natural gas vehicle fueling and maintenance infrastructure necessary to support large fleets of low-emission natural gas trucks. The ICTC is an important contribution to reducing emissions associated with the U.S. freight industry, and a model for natural gas transportation corridors in other parts of the country.

Risks and Opportunities Related to Climate Change

We provide an extensive discussion of risks and opportunities related to climate change in "Environment—Risks and Opportunities" on [page 98](#). The main economic risks are related to the possibility of regulation of greenhouse gas (GHG) emissions, if such regulation imposes new costs for transportation and logistics companies. The main opportunity related to climate change is to compete even more effectively under such regulation, because of our proven capabilities for measuring, managing, and mitigating GHG emissions.

Direct Benefits

Compensation

Good jobs and compensation packages make employed workers a positive economic force throughout the world, and UPS is one of the world's largest private employers. Our global workforce of 397,123 people includes 76,885 people located outside the United States. In 2012, our expense for full-time and part-time employees was US\$33.1 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 102](#).) Our investment in UPS employees generally includes competitive wages and salaries, training, health care, savings plans, and incentive programs.

Note that UPS pays the same standard entry-level hourly wage to both genders at our significant locations of operation. We take this approach due to our business policies, our compensation policies, and our contractual agreements with unions.

Dividends

In 2012, UPS distributed US\$2.1 billion in dividends to UPS shareholders. 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 per share for more than 40 years.

Taxes

The taxes that UPS pays to local and national governments around the world help fund schools, community infrastructure, and services. In 2012, UPS paid US\$3.9 billion in taxes worldwide.

The UPS Foundation

Financial support for The UPS Foundation, our philanthropic arm, comes entirely from the profits we earn in our business. In 2012, we contributed US\$97.5 million to the Foundation, which substantially directs all the funding it receives to grant recipients within the following 12 months.

Direct Economic Benefit Generated and Distributed

U.S. dollars

	2012	2011
Employee Compensation & Benefits	33.1 billion	27.6 billion
Taxes Paid	3.9 billion	3.1 billion
Long-term Debt Repaid	0.16 billion	0.19 billion
Dividends Paid to Shareholders	2.1 billion	2.0 billion
Payments to Small and Diverse Suppliers	850 million	780 million
Total Charitable Contributions	97.5 million	93.5 million

Indirect Benefits

EC6 EC7 EC9

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 two vital resources. The first is local procurement contracts. The second is local support for regional and international transport and logistics, which is especially vital to businesses seeking access to the global marketplace.

Supplier Diversity

UPS has had a formal supplier diversity process in place since 1992. As part of that process, we promise diverse suppliers that we have designated procurement professionals in our corporate, regional, and local offices to help them understand our requirements and qualify to meet them. In 2012, we spent approximately US\$850 million in procurement with diverse businesses. In a majority of cases, these businesses are locally based suppliers because of the highly distributed nature of our business.

Supplier Sustainability

UPS's requests for proposals (RFPs) from Tier 1 suppliers include requests for information about their sustainability policies, practices, and performance. Based on our own experience—and as a supplier to companies of all kinds—we know that adopting sustainable business processes takes time and is best achieved through collaborations, partnerships, and successful business relationships as much as it does from philosophy or technology. We therefore look for opportunities to encourage suppliers to advance their sustainability by awarding them our business.

Support for Entrepreneurs

Our 70,900 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 for shipping locally and internationally. This latter form of support is particularly important for small and diverse businesses, which make up a majority of the world's importers and exporters. In emerging economies, such businesses may find little support from underdeveloped commercial logistics infrastructures. In developed countries, they may face far more complex and time-consuming export/import processes due to increased security concerns and government regulation of global commerce.

UPS also offers entrepreneurs the opportunity to own a franchise of The UPS Store®, which has more than 4,700 locations around the world. In the U.S., our financing subsidiary, UPS Capital®, helps small and diverse businesses finance trade and get access to government-backed loan programs.

Additional Economic Indicators

Our procedures for local hiring are substantially the same everywhere in the world, with appropriate recognition for local laws and customs. This is because of the nature of our business, which is the operation of a single, seamlessly integrated logistics network that can make a promise to a customer in one country and keep it in more than 220 others. Therefore the skills we require, and the work our employees must do, are strongly consistent across geography and culture. The proportion of people, including managers, that we hire in-country is exceptionally high. Among full-time management employees, more than 99 percent of our people are working in their home country (only 202 expatriates out of 45,527 full-time management employees).

Infrastructure investments and services provided primarily for public benefit are discussed in "Community Safety" on [page 111](#).



Products and Services

Responsibility

UPS is a service business. We commonly refer to the services we provide as “products,” but UPS does not design or manufacture products in the sense used by GRI. Therefore the disclosures here regarding product responsibility are focused on GRI indicators and additional contextual information that may interest some stakeholders.

Health and Safety

At UPS, we devote substantial time and resources to improving the safety of our delivery services for our employees, customers, communities, and the environment. We invested US\$118.4 million in safety training alone in 2012. To keep this training current and relevant, we continually assess safety issues associated with our services, down to the behaviors of individual drivers on individual routes. The substantial majority of our services are subject to this approach because they are all delivered through our logistics network. Most of our services also have extremely long life cycles because, once they become established in the marketplace, we continue to offer them for decades or more. This does not deter us from assessing our performance in delivering them, including health and safety issues.

Customer Satisfaction

We have established numerous formal practices and procedures related to customer satisfaction, including surveys and research to measure it. For example, our CSI program measures customer satisfaction on an annual basis. Between early March and late September, we interview our customers and those of our competitors. We developed the questions for these interviews from extensive customer focus groups and use them to assess areas of satisfaction, dissatisfaction, and loyalty. We do not publish the results of our surveys and research for proprietary reasons.

Services

Our flexible, highly efficient network has always given customers choices for how to balance speed and cost when shipping with UPS. UPS offers convenient options that benefit the environment, too.

UPS My Choice™ for Smart Home Delivery

Consumers that sign up for UPS My Choice™ don't have to miss a delivery from us. They receive alerts about every delivery, so they can change the date of the delivery or the delivery location. This benefits everyone. Customers get deliveries when and where they want them, without delay. We don't waste time making unsuccessful delivery attempts. Less driving conserves fuel and prevents greenhouse gases for the environment.

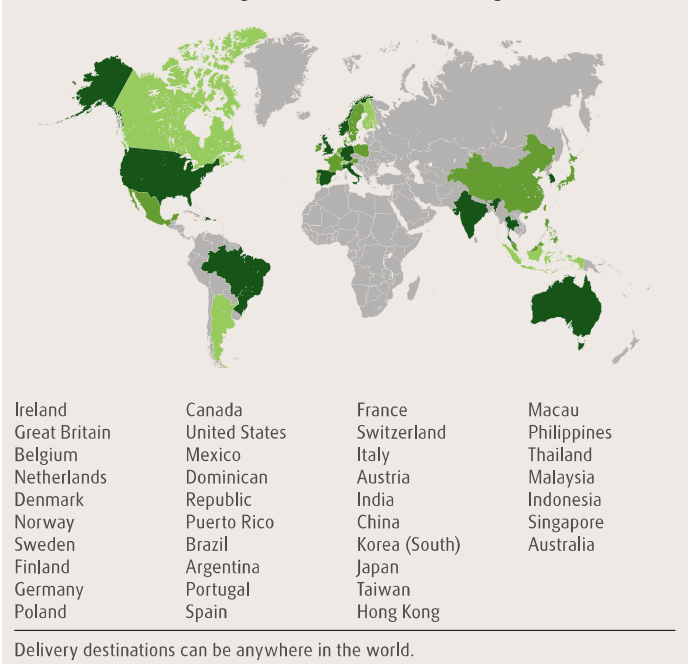
UPS Smart Pickup® for More Efficient Shipping

In the past, UPS would routinely come to businesses every day, whether they were shipping or not. Now customers who register for UPS Smart Pickup® can go online to schedule visits by a UPS driver on preset days of the week, or schedule a pickup for the same day. UPS Smart Pickup is more convenient and efficient for everyone, and better for the environment, too.

Verified Carbon Neutral for Effortless Environmentalism

Offsetting environmental impact isn't always easy. With UPS, it's a snap—or a click—to offset the carbon for a package or document delivery with third-party verification. Customers can select the carbon neutral option when processing their shipments online. UPS does the selection of high-quality offsets, so customers can do the right thing for the environment. Low prices and origination from 36 countries around the world make UPS carbon neutral shipping one of the most convenient ways there is to get more sustainable.

Carbon Neutral Origination Countries (in green)



Verified Performance in Eco Responsible Packaging

Packaging is an important frontier in sustainability because the right packaging can conserve resources and reduce carbon impacts in transport. At UPS, we've been giving customers advice on sustainable packaging for years through the UPS Package Design and Test Lab. Customers who participate in the lab's Eco Responsible Packaging Program receive an expert assessment of their packaging in three areas: damage prevention, right-sizing, and materials content. We use rigorous proprietary methods and calculations for

completing this assessment and giving the customer specific recommendations for meeting preset standards in each area. When their packaging meets the standards, customers can place an Eco Responsible label on their packages so that recipients will recognize their commitment to sustainable shipping. The program has been verified by Société Générale de Surveillance (SGS)—the same company that verifies the carbon offset projects we use for carbon neutral shipping.

Data Protection and Privacy

In 2012, we launched a new Privacy Notice on our website to provide greater transparency about the types of personal information we collect about our consumers and how we may use the information. The notice also describes the measures we take to safeguard the personal information. In addition, we tell you how you can ask us to 1) access or change the personal information we maintain about you, 2) withdraw consent you previously provided to us, 3) refrain from sending you certain communications, and 4) answer questions you may have about our privacy practices. This notice does not apply to The UPS Store or any other retail location that is operated by franchisees. Our privacy practices may vary among the countries in which we operate to reflect local practices and legal requirements.

Also in 2012, we formed an internal cross-functional Information Security Council to review data protection concerns. We developed a new Information Use and Privacy Manual to replace an outdated internal guide to data security practices and revised our recruitment materials to include a Privacy Notice for people applying for UPS jobs.

Innovative Offerings for Healthcare

As we described earlier in this Report, we are determined to offer our healthcare customers a logistics partner like they've never had before. That's why we adopted the philosophy that It's a Patient, Not a Package™. We're thinking along with our healthcare customers about the people and patients they serve, and how to make logistics an opportunity instead of a challenge.

We've established a growing global network of 36 dedicated healthcare facilities, offering a combination of distribution services that can include temperature-sensitive and cold chain capabilities, regulatory compliance, monitoring and security, kitting and labeling, and order to cash services. Each of these healthcare distribution facilities is optimized for environmentally responsible operations, ranging from reduced energy consumption design to effective material recovery to reverse logistics management.

Along with dedicated infrastructure and employees, we also offer our healthcare customers specialized services, including those described below.

UPS Temperature True® Service

Our healthcare air freight service, UPS Temperature True®, provides door-to-door temperature-sensitive transportation for pharmaceutical and life sciences manufacturers. The service includes day- and time-definite options for critical and routine shipments, pickup and delivery in refrigerated or validated refrigerated trailers (where available), and a full suite of passive, semiactive and active containers to support quality requirements. Trained customer service representatives provide comprehensive monitoring of sensitive shipments and can intervene, if necessary, to help prevent unexpected temperature variations and to protect shipments.

PharmaPort™ 360 Containers

Fully tested and validated, PharmaPort™ 360 air freight containers help reduce product loss and maintain product integrity. Advanced, self-contained refrigeration keeps products at a preconfigured temperature throughout their journey—all without the added costs and hazards of dry ice. Embedded sensors and communication capabilities allow UPS to actively monitor every container worldwide for selected “heartbeats,” such as internal chamber temperatures and location, in near real time.

Thermal Packaging Solutions

In addition to our innovative temperature controlled freight solutions, UPS provides healthcare customers with optimized packaging solutions to ensure product integrity for customers with smaller shipments of environmentally sensitive products. This includes protective material and other options to meet the needs of specific customers to ensure product integrity with reduced packaging waste. We also provide services to support reusable packaging for temperature sensitive shipments.

UPS Proactive Response® Service

UPS Proactive Response® offers 24/7 monitoring of packages as they move through the UPS U.S. Domestic or European networks. If a shipment is at risk of being delayed or compromised, UPS-trained agents employ predefined actions that can potentially save the package, with alerts about mitigation efforts. These responses are designed to prevent products from suffering temperature excursions or delays that could affect their quality and effectiveness.

Materials



Packaging Materials

UPS purchased a total of 40,580 U.S. tons of packaging and paper products globally in 2012. Of this total, 87 percent are recycled materials. We provide or resell the packaging material to customers for use with their shipments. It is worth noting, however, that most shipments transported by UPS use packaging that originates with the shipper, rather than UPS-provided packaging materials.

We mitigate the environmental aspects of UPS packaging material in a number of ways. For example, we help customers avoid the unnecessary use of packaging materials in the first place, by providing earth-friendly packaging that does the same job as bubble wrap and packing peanuts, while using a fraction of the material and energy. We also encourage customers to reuse our products. For example, UPS Reusable Express Envelopes come with a second strip of adhesive, making it easy to use them again. Reusable Express Envelopes are especially convenient for shippers in document-intensive industries, such as law and real estate, in which it is common to send out documents that must be signed and returned. We also disclose environmental impacts related to some of the packaging materials we sell. See “Update on UPS Scope 3 Reporting” on [page 69](#) for more details.

Recycled Envelopes for Customer Correspondence

UPS has long provided customers with express envelopes and other UPS-branded envelopes made with recycled materials. In 2012, we began using envelopes made from recycled materials for certain customer communications in our U.S. Domestic Package segment and U.S. operations of our Supply Chain & Freight segment. These envelopes are clearly labeled as employing recycled materials and degradable polystyrene window film, including items like billing documents and invoices. They are also marked with certification from the Forestry Stewardship Council (FSC).

Transportation of Goods and Materials

Because we do not manufacture products, we do not generate significant impacts from transporting our own goods and materials, and our business is not one that requires transporting employees to job sites or activities. We transport packaging materials to customers and to The UPS Store locations via our own transportation network, using available capacity on vehicles that are already carrying shipments for customers, so there is virtually no additional transportation for this purpose. We also encourage customers to recycle their packaging materials, such as by reclaiming used packaging peanuts at many of The UPS Store® locations. (Transport of goods and materials for others—our core business—is discussed in “Greenhouse Gas Reduction Strategy” on [page 86](#).)

Operating Responsibly in Society

The following discussion concerns UPS's strategy, processes, and progress in preventing corruption and anti-competitive behavior and ensuring full compliance with law and regulation. In other sections of this Report, you can read about our governance programs (see Appendix A on page 115), environmental compliance (see "Environment," page 96), and workplace safety (see "Workplace," page 103).

Global Compliance Process

UPS invests significant resources to address issues related to compliance, corruption, and anti-competitive behavior. This is due primarily to our fundamental commitment to operating responsibly and sustainably. We also recognize that our rapid international expansion is bringing us into contact with a growing number of suppliers, subcontractors, agents, partners, and third-party relationships around the world. We understand that business people in different countries may hold varying views of acceptable business behavior. We do not allow these facts to change our commitment to systematically establishing and enforcing high standards for responsible behavior in all our business relationships. As a result, UPS conducts an appropriate level of diligence before entering into new business relationships to ensure that its commitment to compliance will be upheld. To further that commitment, UPS conducts regular reviews with its business representatives as a further check against compliance risks.

Internally, we have developed a five-step process to ensure measurable compliance effectiveness in all our international package, freight, and distribution business entities, and we actively implement it. This process is depicted in the right column. It is the responsibility of the UPS global compliance team to facilitate effective processes and behaviors in our operating units, which starts with identifying and taking ownership of risks and then documenting processes and procedures to address those risks. Our compliance team then works with our internal learning and development department to create effective training programs, and with business unit managers to implement the processes, procedures, and training programs. The global compliance team continually monitors data streams and other information sources that our compliance processes and procedures generate. The focus of this monitoring is to audit and improve our compliance systems and behavior both locally and internationally.

UPS Compliance Process



Risk Analysis and Training

S02 S03

Beyond initial training required of all employees (which differs in complexity based upon an employee's specific job requirements), we analyze all our business units for risks related to corruption. This annual analysis is accomplished by requiring selected managers and specialists to complete a detailed ethics and compliance survey designed to identify events, situations, or relationships that could lead to risks related to corrupt or anti-competitive behavior. In addition, we regularly review the UPS Code of Business Conduct with our employees; the Code emphasizes our strict policies on anti-corruption. Beyond regular training programs, we conduct a comprehensive focused training on ethics and compliance with a goal of training 100 percent of full-time managers and specialists every two years.

In 2012, we continued to revise and update our risk assessments to more proactively seek out evidence of corrupt or anti-competitive practices. We typically conduct these audits in a number of countries each year, selecting them based on the expansion of our business, the resources of our compliance organization, and other strategic factors. We pay particular attention to significant changes in a business entity that can result from, or create pressure for, corrupt or unethical practices. In 2012, we conducted risk assessments in 148 countries. We conducted 40 audits for the purpose of assessing risks related to corruption, including 15 corruption-specific audits. These audits included businesses with which we have both direct and third-party relationships.

Information pertaining to such matters is reviewed and acted on promptly by senior management, up to and including the Management Committee. Organizational responsibility for our business conduct and compliance policies, as described previously, 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. Our Code of Business Conduct is available online in the Investor section of our website.

Corruption

504

Our policy is to comply with all applicable laws, rules and regulations in all countries where we operate. Our Code of Business Conduct states 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, the U.K. Bribery Act, and other applicable anti-bribery laws, rules and regulations in various countries. We are not aware of any allegations of corruption in 2012 from any government agency round the world responsible for oversight of this issue.

Anti-competitive Behavior

507

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.

Compliance

508

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. We are not aware of any breaches of compliance in 2012 that are material to our operations or penalties that are material to company assets.

Additional Contextual Information

Successes and Shortcomings

Our most notable success in the marketplace in 2012 was fulfilling the demanding expectations associated with being the Official Logistics and Express Delivery Supporter for the London 2012 Olympic and Paralympic Games. For more information, see [page 51](#) of this Report and our Corporate Sustainability Report for 2011 (ups.com/sustainability).

We fell short of our expectations to engage more extensively with Tier 1 and Tier 2 suppliers regarding sustainability, particularly in the area of selecting key suppliers based more extensively on their sustainability programs and performance.

Work in Progress

In 2013, we plan to train all non-union employees on our new Information Use and Privacy Manual. We are also engaging in public policy advocacy regarding privacy law and regulation.

Environment— Introduction

EN6

Management Approach

The global economy requires transportation and logistics to support the trade that brings greater prosperity and higher living standards to those around the world. That's why transportation companies—which are dependent largely on fossil fuels—generate a substantial proportion of greenhouse gases associated with human activity. The consequence for UPS is clear: we can definitely help customers reduce greenhouse gas emissions in their supply chains, yet the more we do this, the more our own emissions will tend to rise. Because our business performance and emissions performance are so thoroughly intertwined, we keep them conjoined in our management approach to the environment.

For example, our primary strategy for slowing the growth in our emissions relative to revenue is to make our logistics network more efficient, which also helps us serve customers and reduce operating costs. We take the same approach with other natural resources. In all cases, we strive to make responsible business decisions based on accurate, transparent, comprehensive information, including detailed data regarding:

- The fuels used in our air and ground vehicles.
- The techniques we use to optimize fuel usage, such as intermodal shifting, next-generation air traffic management, telematics, and proprietary routing technology.
- CO₂e emissions related to both mobile and fixed sources.
- Our use of water and mapping of water risk assessment.
- All aspects of our waste stream, including both hazardous and non-hazardous types.
- Many other types and categories of data.

Along with gathering this data, we disclose a considerable amount of it in this Report each year.

Another essential aspect of our management approach to the environment is contributing actively to society's public discussion about environmental sustainability. As part of this approach, we:

- Continue to develop our capabilities for comprehensive and comparable measurement and reporting.
- Provide outside stakeholders with both third-party assurance and verification of our carbon inventory, so they can trust our reporting and compare it widely.
- Collaborate with leading NGOs, regulators and industry consortiums to propel the cause of environmental sustainability forward.
- Participate in public policy forums, where we advocate for prudent innovation and investment in new technologies and infrastructure development.

The activities summarized above are described in detail beginning on [page 61](#).

Environmental Protection Investments and Expenditures

UPS has a long history of investments and expenditures that benefit environmental protection. Some stretch back decades, such as our work with alternative vehicles. UPS put its first such vehicle, powered by electricity, into service in the 1930s; today our alternative fuel/technology fleet numbers 2,688 vehicles around the world. In some cases, we selectively allow such investments more time to earn a return than we ordinarily would, because we recognize their larger benefit to society and the cause of sustainability.

Recent examples include our global IT system for tracking greenhouse gas emissions, solar power generation for facilities, and development of a liquefied natural gas (LNG) transport infrastructure in the U.S. in partnership with government agencies. In the latter two cases, we set the target date for required financial return on investment somewhat further in the future than we normally do for capital investment, because we are confident in eventual payback and recognize that we will generate significant environmental benefits for UPS and society well before that date and long afterward.

We do not report financial figures for such investments and spending because our financial systems do not provide breakouts based solely on environmental benefit. In nearly all cases, investments and expenditures that benefit the environment also directly benefit other aspects of our business such as safety, operating costs, and customer service.

In this Report, we focus instead on high-level, high-benefit environmental strategies and capabilities that show our determination to lead our sector toward greater sustainability. These include:

- Comprehensive measurement and reporting on fuel usage, greenhouse gas emissions, and water throughout our entire enterprise.
- Our global greenhouse gas reduction strategy, which embraces our ground and air fleets, facilities, customers, and suppliers.
- Continuous innovation in how we configure, equip, load, route, drive, monitor, and measure our mobile assets; and in how we design, organize, and operate our facilities.
- Engagement with other organizations that offer world-class initiatives, expertise, forums, and collaborations related to the environment.

Our environmental protection investments and expenditures enabled us to achieve numerous key successes in 2012, which are listed on [page 97](#).

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Policy and Responsibility

Organizational responsibility for executing our environmental policies and management approach, as outlined below, rests with Scott Wicker, Vice President of Corporate Plant Engineering and Chief Sustainability Officer. Mr. Wicker is responsible for managing all sustainability initiatives and strategies, including performance metrics. In addition, further accountability for specific performance metrics rests with managers of the relevant business units and departments throughout UPS.

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. We include these Statements at ups.com/sustainability.

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 our monitoring activities (see “Facilities,” [page 92](#)). We developed our EMS to mirror most of the principles of the ISO 14001 standard. To ensure that our policies are practiced, we employ Region Environmental Managers and District Environmental Coordinators throughout our operations. Their role is to monitor and maintain compliance with environmental regulations, to train other operational personnel, and to raise awareness regarding all environmental aspects of our operations.

Training programs to assist Environmental Coordinators cover a wide range of topics, including, among others:

- Water and air quality;
- Automotive environmental procedures;
- Hazardous waste management;
- Spill response plans; and
- Underground storage tanks.

Our environmental training and auditing programs identify areas for improvement and outline strategies. We use a number of metrics to manage our compliance effort; two KPIs are presented in “Compliance” beginning on [page 96](#).

Our international environmental programs are guided by our Global Environmental Standards Manual, which is largely consistent with the ISO 14001 structure. As of the end of 2012, we have implemented the programs specified in the Manual in 41 countries where UPS directly provides services. We plan to continue implementing the standards in other countries in 2013 and beyond. We are currently certified to ISO 14001 in a number of locations in Europe within our Supply Chain and Freight business segment in response to business demands. We are taking a similar approach in the U.S.

Environmental Metrics and KPIs

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. We use these KPIs to help us execute our other core environmental strategies, which include:

- Greenhouse gas reduction.
- Continuous innovation in technology, systems and processes, and workforce skills development.
- Engagement with world-class organizations for climate change and resource conservation.

Most of our environmental KPIs correspond to GRI performance indicators. They are presented together in summary form on [pages 67-68](#), and discussed individually in the relevant sections of this chapter.

Priorities and Goals

Priorities

Our priorities in environmental measurement and reporting include the following:

- Measure globally with an all-inclusive scope and boundary.
- Adhere to the Accounting and Reporting Standards set forth in the GHG Protocol developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), and comprehensively report all three Scopes in the GHG Protocol.
- Focus on areas where good data can have the most positive impact.
- Be alert to small steps forward in data accuracy that can create large opportunities for action.
- Use robust sustainability performance management software to manage the data.
- Engage third-party assurance and verification, because it increases our competence, our confidence in our reporting, and the credibility of our reporting for outside stakeholders including customers.

Some of our peers and stakeholders have asked about the return on investment in comprehensive measurement and reporting, particularly with regard to Scope 3 of the Greenhouse Gas Protocol. Scope 3 measures carbon emissions associated with 15 sources of emissions other than the operations of the reporting company itself. Getting good data for these categories, such as suppliers, can be difficult and takes time. Furthermore, reporting on them results in a higher overall carbon inventory at a time when society is paying closer attention to greenhouse gases. For all these reasons, many companies hesitate to commit to comprehensive Scope 3 reporting.

At UPS, we take a different view. The carbon emissions from any company's value chain are emitted whether or not the company measures them. If they're not measured, they're hard to manage. That's why UPS was one of the first companies in the transportation and logistics sector to report Scope 3 emissions on a global basis, and why we adopted the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard as soon as it was available. We are currently reporting on seven categories in 2012, and we plan to report on the remaining four applicable categories in the future.

One consequence of our commitment to comprehensive measurement is that our Scope 3 emissions and overall carbon inventory will continue to rise in the years ahead. We understand—and urge our stakeholders to recognize—that this is a near-term reporting effect. What matters is our long-term success in reducing our actual carbon intensity.

Once our Scope 3 reporting reaches maturity, the short-term additive effect will diminish substantially. Not only that, we expect to be in a much stronger position for addressing overall Scope 3 CO₂e emissions. The more we know about how our business interacts with the environment, the more we can do to optimize the relationship.

We describe our 2012 Scope 3 results in more detail beginning on [page 69](#).

Global Reporting on Energy and Emissions



In this Report, we include full statements regarding our emissions and energy use according to the latest standards included in the Greenhouse Gas Protocol developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). These statements are presented as Appendixes B (“Statement of Greenhouse Gas Emissions”) and D (“Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved”), respectively, beginning on [page 117](#). A summary statement of our global enterprise CO₂e for 2012 and 2011 by business segment is provided on the opposite page. CO₂e emissions (abbreviation for “CO₂ equivalents”) is a metric that includes all gases named in the Greenhouse Gas Protocol. Because CO₂ is by far the most prominent, the other gases are expressed in CO₂ equivalents of global warming potential in order to create a unified metric.

Goals

UPS has set sustainability goals related to the environment since 2003, when we set a number of goals for 2007. These goals were based on Key Performance Indicators (KPIs) that our management uses to monitor our environmental performance and progress with environmental initiatives. After reaching and retiring the first set of goals in 2007, we established the following environmental goals:

- A 2016 goal for normalized airline emissions (our KPI that measures aircraft emissions per payload capacity) set in 2011.
- A 2016 goal for transportation-related CO₂e emissions (our “Transportation Intensity Index”) set in 2010.
- A 2020 goal for normalized airline fuel efficiency (our KPI that measures aviation gallons burned per 100 available ton miles) set in 2008.
- A 2020 goal for normalized airline emissions (our KPI for CO₂ pounds per available ton mile) set in 2008.
- A 2020 goal for normalized vehicle emissions (our metric kg of PM_{2.5} per vehicle and kg of NO_x per vehicle) set in 2012.

2012 Global Enterprise CO ₂ e Emissions by Business Segment ('000 metric tonnes)								
	U.S. Domestic Package		International Package		Global Supply Chain & Freight		Totals	
	2012	2011	2012	2011	2012	2011	2012	2011
Scope 1	6,543	6,638	4,266	4,372	907	971	11,716	11,981
Scope 2	621	617*	64	65*	138	145*	823	827*
Total Scope 1 & 2	7,164	7,255	4,330	4,437	1,045	1,116	12,539	12,808
Scope 3	2,702	2,654	1,826	1,850	4,451	4,327	8,979	8,831
Total Scope 1,2 & 3	9,866	9,909	6,156	6,287	5,496	5,443	21,518	21,639
	Carbon Offsets Retired						44	29
	2012 Net Global CO₂e Emissions						21,474	21,610

* Recalculated, see page 61

Results for the airline KPIs listed above appear later in this chapter, in “Success in Air Fleet Efficiency,” and on page 67. The Transportation Intensity Index goal is discussed (on pages 84-85).

Absolute Reduction in Scope 1 and 2 Emissions as Volume Grows

This achievement is a reflection of our greenhouse gas reduction strategy (see page 86), which helps us decouple GHG emissions performance from business growth. UPS Airlines, which is responsible for more than half of our Scope 1 and 2 emissions, played a major role by successfully employing the air fleet efficiencies described later in this chapter (see page 87) to decrease its consumption of jet fuel. Results for 2012 also benefited from a more favorable business mix compared to 2011.

On a segment basis, we reduced absolute CO₂e emissions in our largest segment, U.S. Domestic Package, by 1.3 percent, even as segment volume rose 2.8 percent. This is equivalent to cutting 91,000 metric tonnes of emissions while carrying 95 million more packages—a result that drove significant improvement in our KPI for CO₂e emissions normalized to package volume in the segment (see page 67). We provide more information on ground fleet efficiencies on page 86 and page 89.

Our Supply Chain & Freight segment also made an important contribution to reducing our emissions on an absolute basis compared to 2011. The segment recorded a 6.4 percent reduction in Scope 1 and 2 emissions. This major driver was the UPS Freight business, which accounts for approximately 85 percent of the segment’s emissions. As we describe on page 91 and in our 2011 Report, we have been aggressively increasing fuel and emissions efficiency in the freight business in recent years.

A list of all Scope 3 categories is included in this Report in Appendix B (“Statement of Greenhouse Gas Emissions,” beginning on page 117), which also provides a complete description of all our emissions sources in all categories

for our entire global enterprise. We also provide a narrative update on our Scope 3 reporting on page 69.

Transportation Intensity Index

As we explained earlier in this Report, in “Intensity Metrics Are Part of the Solution,” it’s important for UPS to measure the amount of emissions we generate relative to our customers’ shipping volume. This type of measurement tells us—and the world—how well we are accomplishing our ultimate mission of holding back emissions growth for the global economy and the planet—even if our own absolute emissions should rise. (They actually declined in 2012 compared to 2011, as we explained previously.)

This type of measurement is known as “carbon intensity.” Measuring carbon intensity is a significant challenge for a company carrying all kinds of shipments, using multiple modes of transportation. We therefore focused on gathering together the emissions data that we believe offers the best possible balance of comprehensiveness, accuracy, and comparability over time.

The metric we developed is called the Transportation Intensity Index. We originally developed this Index as part of the former Climate Leaders Program of the EPA. It includes all Scope 1 and 2 emissions for our largest segment, U.S. Domestic Package, and for UPS Airlines, which generates more than half the emissions for our company. The Index also includes Scope 1 and 2 emissions from our Supply Chain & Freight segment in the United States, where the segment does most of its business and where our measurements systems for ground transportation are most thorough, accurate, and comparable over time. In 2012, these three components of the Index represents 96 percent of all Scope 1 and 2 CO₂e emissions generated by UPS worldwide.

We succeeded in reducing absolute Global Scope 1 and 2 CO₂e emissions by 2.1 percent in 2012 compared to 2011, even though shipping volume increased 2.3 percent.

The Transportation Intensity Index combines three separate carbon intensity ratios, one for each of the three components mentioned above:

- For our U.S. Domestic Package segment, we use the ratio of CO₂e emissions (in pounds) per package. This closely resembles the carbon intensity KPI we use for this segment (see [page 67](#)).
- For UPS Airlines, we use the ratio of CO₂e emissions (in pounds) per “available ton mile” (ATM). This is the same ratio we use in our carbon intensity KPI for UPS Airlines (see [page 67](#)).
- For our Supply Chain & Freight segment, we use the ratio of CO₂e emissions (in pounds) per pound of freight carried.

We assign each of these ratios a percentage weight within the Transportation Intensity Index. The proportions are 48 percent for U.S. Domestic Package, 37 percent for UPS Global Airlines, and 15 percent for the United States operations of the Supply Chain & Freight segment.

After defining the ratios and their proportional weights, we calculated them for 2007, which serves as a good baseline year because we made significant commitments to carbon measurement and goal-setting in that year.

We then gave that sum a value of 100 and made it the baseline for the Transportation Intensity Index. Finally, we set a goal to reduce the Index by 10 percent by 2016.

It is important to understand that the result for the Transportation Intensity Index that we report each year represents that year’s performance *compared to the 2007 baseline*, not the previous year. The cumulative effect of maintaining and improving the Index below the 2007 level ensures that the total amount of CO₂e that we emit in future years will be below the amount that we would have emitted in 2007, given the same business conditions.

In 2012, the Index came in 11.7 percent below the baseline—the first time we have achieved the target reduction of 10 percent. For comparison, the Index came in 7.8 percent below the baseline in 2011 and 6.1 percent below the baseline in 2010.

This confirms that our transportation carbon intensity for the year was lower than in the baseline year, and consequently, we performed better for the environment. Our improvements in the Transportation Intensity Index (see table below) are a direct reflection of our greenhouse gas reduction strategy, including the ground fleet efficiencies ([page 89](#)) and air fleet efficiencies ([page 87](#)) described in this Report.

UPS Transportation Intensity Index

We are achieving our target reduction in carbon intensity for transportation

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

	2007 (baseline year)	2012 (actual)	% reduction from 2007 baseline
U.S. Small Package (lbs CO ₂ e/pkg)	2.78	2.47	-11.1%
Global Airline (lbs CO ₂ e/ATM)	1.54	1.41	-8.5%
U.S. Supply Chain & Freight (lbs CO ₂ e/lbs freight)	0.26	0.20	-21.4%
Transportation Intensity Index Percent Reduction Compared to 2007			-11.7%

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Greenhouse Gas Reduction Strategy



We take a comprehensive approach to reducing greenhouse gas emissions, including all our operations as well as major portions of our value chain (including customers and suppliers) where we can help reduce GHG emissions in meaningful ways.

Our GHG reduction strategy includes three components:

- Global transportation network: reducing the miles we travel to accomplish any given level of shipping; reducing the fuel required for that transport; and shifting shipments to vehicles employing low-emission alternative fuels and advanced technology.
- Global facilities network: reducing energy use in our facilities and increasing the use of renewable energy.
- Customers and suppliers: operating an eco-efficient service network that reduces supply chain carbon emissions for an average of 8.8 million customers daily; providing customers with related services that help them reduce their carbon impact; and working with suppliers to increase their emissions awareness and reduction capabilities.

The relationship of the three components of the GHG strategy is depicted in the infographic on [pages 13-14](#).

The transportation component of our GHG reduction strategy includes a number of strategies that UPS has developed and refined for decades, including the five summarized subsequently:

Intermodal Shifting

The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported), ranging from aircraft at the high end to ships at the low end. UPS has focused for decades on using the most fuel-efficient transport mode or combination of modes to meet service requirements—and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible. Our expertise in this area enabled us to avoid approximately 2.4 million metric tonnes of emissions in 2012 by shifting delivery volume from air to ground, and we avoided nearly 0.9 million metric tonnes of emissions by shifting volume from ground to rail. Thus, we avoided 3.3 million metric tonnes of greenhouse gas emissions while keeping our service commitments to customers.

Optimized Network

The UPS global logistics network handles all categories of service (express, ground, domestic, international, commercial, and residential) through one integrated pickup and delivery service system. For comparison, some of our competitors employ parallel service networks in their operating regions to handle different categories of services, which means they may dispatch multiple vehicles to a customer location on the same day. The UPS network eliminates this redundancy and its associated environmental impact.

Air Fleet Efficiencies

Because air transport is more energy intensive than other modes, it contributes the largest portion of our carbon footprint. Measuring, managing, and mitigating the environmental impact of air transport is critical to overall carbon impact. Please see [page 87](#) for a full discussion of air fleet efficiencies.

Ground Fleet Efficiencies

We have spent decades honing our ability to optimize fuel efficiency for our vehicles and optimize the behavior of our drivers. Owning our fleet enables us to multiply these gains by tens of thousands of vehicles, every business day. Please see [page 89](#) for a full discussion of ground fleet efficiencies.

Full Integration of Technology and Human Factors

The energy, ideas, and disciplined execution of our people are critically important to our environmental strategies and capabilities. This is particularly vital when it comes to our capital investments in vehicles, equipment, and advanced technology aimed at benefiting the environment. To the extent that our people unlock the full potential of these investments—and find synergies among them—we can continue to make progress in reducing greenhouse gas emissions for years to come.

Success in Air Fleet Efficiency

LT2 LT7

In 2012, UPS demonstrated how an integrated, well-managed greenhouse gas reduction strategy can make a difference in the carbon intensity of shipping by air—one of the most carbon-intensive parts of our business.

The story starts with a metric called “block hours.” The name comes from the blocks that are placed around an aircraft’s wheels when it is not moving. UPS measures block hours as the time from brake release to the time the flight crew sets the brakes at the destination. Everything that happens during block hours burns energy, so reducing block hours means reducing fuel consumption and greenhouse gas emissions. In many ways, this is what air fleet efficiency is all about for shipping companies with substantial airline operations.

So we count block hours carefully, and then compare them to airline shipping volume and aircraft fuel consumption. Ideally, we want to hold the growth rate for block hours below the growth rates for volume. This is a significant operating challenge that requires a 24/7 commitment by our people around the world, whether they are flying or maintaining planes, planning routes, or managing air hubs.

In 2012, they delivered results beyond our expectations by reducing block hours 1.1 percent compared to 2011, even though shipping volume for the airline rose 4.8 percent year-over-year. This means we used 1.3 percent less fuel in 2012 to handle higher volume. Since 2008, we have increased our package volume per block hour 15 percent—a significant reduction in carbon intensity.

The rest of this section explains how we achieve efficiency gains in air fleet operations, starting with our capital investment strategy and concluding with a discussion of results for our air fleet KPIs.

Air Fleet Strategy

UPS operates one of the youngest, most fuel-efficient, and quietest air fleets in the package delivery sector, and we report transparently about our entire fleet rather than selected aircraft. We achieved this leadership as a result of investments we have made in past decades to reduce aircraft noise. We source jet engines for our aircraft from all manufacturers who can meet our specifications, to increase our knowledge of jet engine technology and reduce our technological risk. The noise and emissions characteristics of our fleet are disclosed in the table below, along with the average age of each aircraft type. The average age of our active fleet of 230 aircraft in 2012 was just 15.3 years. This is important because more modern aircraft typically are less noisy, more fuel efficient, and generate fewer emissions than older aircraft.

The “Stage III limit” in the table refers to noise limit guidelines published by the International Civil Aviation Organization of the United Nations (ICAO) for aircraft purchased after January 1, 1999. Our entire fleet met these limits more than two years before the Stage III deadline (in January 1999), and UPS was one of the first companies in the sector to exceed compliance with ICAO Stage IV noise guidelines and met Stage IV limits in 2008. The emissions categories “CAEP 6 and CAEP 8” refer to the strictest guidelines for nitrogen oxide (NO_x) emissions limits published to date by ICAO’s Committee on Aviation Environmental Protection (CAEP). Within UPS Airlines, 84.8 percent of the fleet already meets these standards.

In 2012, we analyzed and approved the cost-benefit of optimizing the fuel efficiency of our Boeing 767 aircraft with customized “winglets.” These angled add-ons for wingtips boost aerodynamic efficiency and long-haul aircraft flying at high altitudes. We plan to retrofit the Boeing 767 aircraft in

Air Fleet Characteristics

Jet aircraft owned or leased as of 12/31/2012

Aircraft	Engine	Average Age	# of Aircraft in Operation	db Below Stage III Limit	db Below Stage IV Limit	Meets Aircraft Emissions Standard ¹
A300F4-600	PW-4158	10.5	53	-11.3	-1.33	ICAO CAEP 6
B757-200	RB211-535E4	17.3	40	-19.8	-9.83	ICAO CAEP 6
B757-200	PW-2040	23.1	35	-13.0	-3.03	ICAO CAEP 4
B767-300	CF6-80C2B6F	10.8	51	-14.5	-4.51	ICAO CAEP 8
MD-11	PW4460	19.6	27	-12.5	-2.53	ICAO CAEP 6
B-747-400F	CF6-80C2B1F	10.2	11	-12.3	-2.33	ICAO CAEP 8
B-747-400BCF	CF6-80C2B1F	19.5	2	-12.3	-2.30	ICAO CAEP 8
MD-11	CF6-80C2D1F	20.1	11	-13.4	-3.43	ICAO CAEP 8
Totals		15.3	230			84.8% of Entire Fleet Meets CAEP 6, 8

¹ICAO (International Civil Aviation Organization), CAEP (Committee on Aviation Environmental Protection), CAEP 4 mandatory for engines manufactured in 2004 to 2007, CAEP 6 mandatory for engines manufactured in 2008 to 2013, CAEP 8 mandatory for engines manufactured in 2014 and beyond.

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our fleet with winglets in 2013 and 2014, including existing aircraft and those on order. We believe this investment will result in an annual savings of more than 6.5 million gallons of aircraft fuel, equivalent to an overall improvement of fuel efficiency of approximately 3.6 percent. This will enable us to avoid more than 62,000 metric tonnes of CO₂ per year. The figures above are calculated using our rate of fuel consumption and shipping volume in 2012 to establish a baseline for future measurements of winglet benefits.

Emission Reduction in Air Fleet Operations



In addition to meeting external guidelines, we set our own goals for airline emissions because they represent more than half of our global CO₂ inventory and they are our most energy-intensive mode of transport. We strive to achieve the goals by taking both long-term and near-term actions. Long-term steps include investing in younger, more fuel-efficient aircraft (see chart on previous page), and publicly declaring our commitment to use jet engine bio-fuels when they become more readily available. 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.

In keeping with the transportation component of our greenhouse gas reduction strategy, we aggressively seek to reduce the fuel required to travel the miles our air fleet must fly to meet customer requirements. Our techniques and technologies include the following:

- Lower flight speeds.
- Computer-optimized flight plans.
- Computer-managed aircraft gate departures and arrivals and taxi times.
- Single-engine used to taxi.
- Fuel-efficient towing tugs.
- Bio-diesel in ground support equipment.
- Cleaner engines.

Reduced Carbon Intensity in Air Transport

CO₂ Pounds per Available Ton Mile*

UPS Airlines – Global Operations

2009	2010	2011	2012	2020 Goal
1.40	1.39	1.41	1.40	1.24
Result: Airline CO ₂ impacted by fleet reduction				*nautical mile

Our primary metric for the carbon intensity of UPS Airlines is CO₂ pounds emitted per available ton mile (CO₂lbs/ATM), using nautical miles. An available ton mile is a unit that combines cargo weight and distance carried, which is common in our industry. By dividing the emissions we generate by the cargo we carry and distance traveled, we can determine how efficient we are for the environment in serving our customers. Our long-term goal for this metric is a 20 percent reduction from our 2005 baseline. (This represents 42 percent reduction from 1990, a year that is widely used as the baseline for calculating changes in greenhouse gas reduction.)

We believe this is the most appropriate metric for measuring the carbon associated with global airline payload capacity and routing optimization. Stakeholders would benefit if our industry were to adopt a standardized metric, with common denominators (nautical miles), that makes it possible to understand and compare air fleet performance across companies.

The results for our airline carbon intensity metric recovered somewhat in 2012, to 1.40 CO₂lbs/ATM, compared to 1.41 CO₂lbs/ATM in 2011. Results in both years were strongly affected by the loss of a 747-400 cargo aircraft due to fire in the third quarter of 2010. This event has had a ripple effect, requiring UPS Airlines to reroute numerous other aircraft around the world in order to meet customer commitments. Other aircraft do not offer the emissions efficiency of the 747-400, and the lost aircraft has not been replaced. In each of the three years before 2011, carbon intensity at UPS Airlines declined year-over-year. We anticipate the addition of the previously discussed winglets will help us offset this impact.

Ground Fleet Efficiencies

Innovation in Air Fleet Operations

UPS Airlines has consistently been a pioneer in testing, adopting, and helping develop next-generation techniques and technologies for increasing the fuel efficiency and reducing the noise associated with air transport. This is particularly true of the “NextGen” program of the Federal Aviation Administration (FAA) in the United States.

The NextGen program aims to transform air traffic control, aircraft routing, and cockpit options for increasing safety and fuel efficiency. The air traffic control system in the United States relies on antiquated ground-based navigation, routing, and voice communications over a limited set of frequencies. This approach requires aircraft to fly from radar to radar rather than in direct routes, and it leaves time gaps when air traffic controllers may not be certain of an aircraft’s true position. It also requires air traffic controllers to speak with pilots in real time, one at a time, which is highly inefficient near busy airports.

The NextGen approach employs GPS technology for monitoring and routing aircraft and allows electronic non-voice communications, among other innovations. The potential benefits in fuel efficiency, reliability, and safety are enormous. UPS has worked closely with the FAA for years to bring NextGen to fruition in a number of areas, including these three fundamental examples:

- Surveillance – NextGen delivers real-time positioning information, so planes can safely fly closer to each other, on more efficient routes.
- Navigation – Air traffic controllers can create “roadways in the sky” that are more direct and efficient, particularly in high-traffic areas.
- Communication – Digital communication between air traffic controllers and pilots can be faster and more precise than voice information, which would help eliminate delays near busy airports caused by the current need for air traffic controllers to individually cycle through voice communications with all approaching planes.

These advances are all beneficial to UPS, which is why we were early to adopt NextGen technologies. For example, closer spacing of aircraft near airports is particularly applicable to our Worldport hub in Louisville, Kentucky. During certain hours of operation, we are essentially the only airline flying into and out of the airport.

UPS has owned and operated one of the world’s most extensive private ground delivery networks for decades, so we have abundant experience in identifying and executing on ways to increase our ground network efficiency, particularly regarding fuel optimization and usage. The strategies and methods behind this success include customized delivery vehicles that are optimized for how we use them; proprietary, data-driven package routing technology that increasingly enables real-time adjustments; and telematics ([page 47](#)). All these strategies leverage our investments and expertise in information technology and our deep commitment to driver training. We believe our long-term, continuous focus on increasing ground network efficiency is a significant competitive economic and environmental advantage.

Ground Fleet Emission Reduction Strategies

In our ground fleet operations, our two primary strategies for reducing greenhouse gases are to reduce the miles we travel to accomplish any given level of shipping, and to reduce the amount of fuel required for that travel. We execute both strategies by integrating technology into our operational practices, such as with telematics (see [page 47](#)) and our proprietary routing system.

Avoiding Miles Driven

In 2012, we avoided driving more than 12.1 million miles, compared to 2011, in our U.S. Domestic Package segment. This in turn avoided the use of 1.3 million gallons of fuel and 13,000 metric tonnes of CO₂ emissions. Over the twelve years, from 2001 through 2012, we have avoided driving 364 million miles. By combining telematics, package routing technology, driving techniques, service offerings, and other strategies, we are able to consistently minimize miles driven in the following ways:

- Allocating pick-ups and deliveries to the most efficient number of vehicles each day at each facility, thus keeping vehicles off the road wherever possible.
- Routing vehicles so that they reach all required destinations in the least amount of time and miles driven.
- Identifying loading and unloading locations that enable multiple deliveries.
- Dynamically re-routing drivers based on events such as changing customer pick up needs or a requested change in delivery location, to avoid wasted miles.
- Eliminating unnecessary customer visits, by encouraging customers to sign up for innovative services such as UPS My Choice™ and UPS Smart Pickup®.

One of the metrics we use to put our miles avoided in context is the number of stops our delivery drivers made during the year per mile they traveled. This tells us how much productive work we did for customers (stopping for pickups and deliveries) with the miles we drove (which generate greenhouse gas emissions).

In 2012, our total stops increased 2.3 percent due to higher shipping volume by our customers. Yet the miles we drove

increased only 1.3 percent due to all the techniques listed above. As a result, we improved stops per mile to 1.456 in 2012, from 1.437 in 2011. This translates into avoiding more than 12.1 million miles of driving in 2012 compared to a year earlier. It also means that we succeeded in reducing our carbon intensity, by holding the growth rate of emissions below the growth rate of shipping volume.

Reducing Carbon Intensity per Mile

Growing customer demand for our services puts upward pressure on the number of miles we drive each year. So we are just as relentless in minimizing the amount of fuel we use per mile, because that can reduce the carbon intensity of our ground fleet even as our miles traveled go up. As with avoiding miles driven, we combine numerous techniques and technologies to reduce fuel use per mile, and we put them all into practice rigorously, on a daily basis. Highlights include the following:

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

Reducing idling time may seem like an insignificant factor. But the number of large cities in the world is growing, and the largest cities are becoming even more congested. There are more obstacles, blockages, and other factors that can cause drivers to sit still with their engines running—burning fuel without getting anywhere. We fight back with telematics. In 2012, we were able to avoid 206 million minutes of idling time, equivalent to 1.5 million gallons of fuel and 14,000 metric tonnes of CO₂.

We had 2,688 alternative fuel and advanced technology vehicles in operation as of the end of 2012. We logged 49 million miles in these vehicles during 2012, a 43 percent increase compared to 2011. We logged more than 295 million miles in alternative fuel and advanced technology vehicles since 2000.

Alternative Fuel & Advanced Technology Miles Driven <i>Global Operations</i>					
	2009	2010	2011	2012	2017 Goal
Cumulative miles driven since 2000	185M	212M	246M	295M	1B
Result: 295 million miles logged since 2000					

We provide more information on our fleet of alternative fuel and advanced technology vehicles beginning on [page 89](#).

Bypassing Hubs for Even Better Efficiency

Like passenger airlines, UPS employs a hub-and-spoke strategy to gather packages from multiple destinations together before sending them over longer distances. This ensures that the trucks, trains and planes that go back and forth between hubs are fully loaded and therefore most efficient with their fuel and emissions.

Like passenger airlines, we also have “non-stop” services between certain destinations that are in high demand with customers, so we can run full loads directly between them. When packages skip a hub or two on their way to such a destination, we call it “bypass.” While bypass is a common practice in our sector, UPS employs it to an unusual extent. In 2012, for example, 23 percent of all packages in our U.S. Domestic Package Segment bypassed with a single “handle.” Including multiple handles, the bypass percentage goes up to 31 percent.

We achieve these high percentages for two reasons. One is that we have enough daily shipping volume to bypass and still keep our transportation utilization at high efficiency. The other is our relentless focus on minimizing the resources required to meet customer commitments. When bypass is more efficient, we take advantage of it. Using less fuel and driving fewer miles makes UPS more sustainable. Generating fewer emissions on behalf of our customers makes the environment more sustainable.

Reduced Carbon Intensity in Ground Transport

Packages per Gallon of Fuel			
2009	2010	2011	2012
8.30	8.52	8.63	8.85

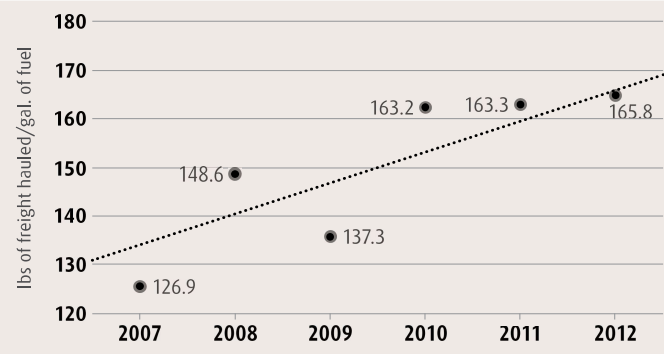
One of the ways we track carbon intensity for ground transportation in the U.S. Domestic Package segment, our largest segment by volume, is ground packages per gallon of fuel. Fuel consumption includes our delivery vehicles, “feeder” vehicles that travel between distribution hubs, and third-party transportation used for transportation by rail and for package delivery (including the U.S. Postal Service, which handles a small percentage of our package volume). In 2012, we increased the number of ground packages per gallon of fuel for the fourth straight year, to 8.85. While package volume rose 2.7 percent for the segment in 2012, fuel consumption rose only 0.3 percent.

This means we held the growth rate for our fuel consumption well below the growth rate for our customer’s shipping volume activity, and therefore helped make economic growth more sustainable for UPS and its customers. Our ability to achieve this comes directly from the ground fleet efficiency strategies described earlier in this chapter, which are part of our global greenhouse gas reduction

strategy. More metrics for ground transportation efficiency are included among our KPIs (see page 67).

Reduced Carbon Intensity in Freight

UPS Freight Intensity Continues to Improve



Data points represent results at end of calendar year.

We continue to improve the efficiency of our UPS Freight business, including a 1.5 percent improvement in pounds of freight hauled per gallon of fuel (see chart above). We are achieving this in a number of ways. One of the most important is implementing telematics. We have also improved dispatching of drivers, routing, consolidation of shipments, and loading efficiency in ways that keep miles driven to a minimum.

At the end of 2012, approximately 71 percent of the UPS Freight fleet had telematics deployed. This helped drop the average idle time per driver per day to 48 minutes in 2012, down from 122 minutes in 2011. This equates to 250,000 gallons in fuel savings and an emissions reduction of 2,600 metric tonnes.

Particulate Emission Reduction Goals

Emissions of particulate matter (PM) according to the U.S. Environmental Protection Agency are a complex mixture of extremely small particles and liquid droplets in the air. PM is designated according to size. PM2.5 emissions, also called “fine particulate,” are 2.5 micrometers in diameter or smaller. Exposure to particle pollution is linked to a variety of health concerns.

To address this issue, our new goal is to reduce our PM2.5 emissions by 75 percent (kg/vehicle) between 2012 and 2020. This requires reducing our PM2.5 emissions from 1.6 million kilograms in 2012 to 351,000 kilograms per year in 2020, for a cumulative reduction of 5,600 metric tonnes over the eight-year period.

We also have set a goal for a 60 percent reduction in nitrogen oxide (NO_x) emissions, which are emitted from motor vehicles, by 2020. The figure for the baseline year of 2012 was 44.6 million kilograms; the target for 2020 is 14.1

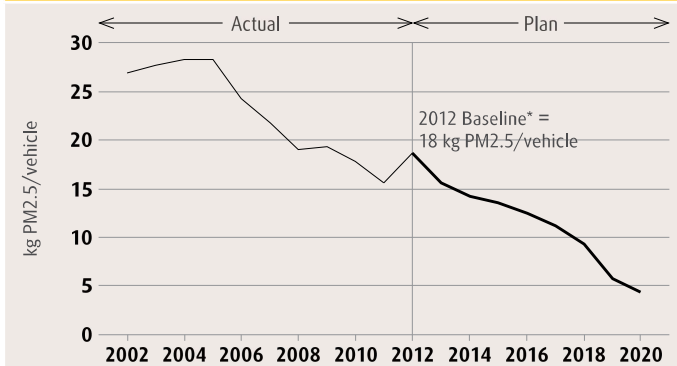
million kilograms. The difference between the two years equals a cumulative reduction of 149,000 metric tonnes over the eight-year period.

We plan to achieve the new emission reduction goals by acquiring more modern, lower-emission conventional vehicles; increased adoption of alternative fuel vehicles with lower emission profiles than conventional vehicles; and rigorous vehicle maintenance.

Reducing NO_x and PM2.5 will demonstrate our continuing commitment to reducing the air quality impact of our U.S. fleet, including package delivery vehicles, tractors, and UPS freight tractors.

PM2.5 Emissions per Ground Vehicle

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

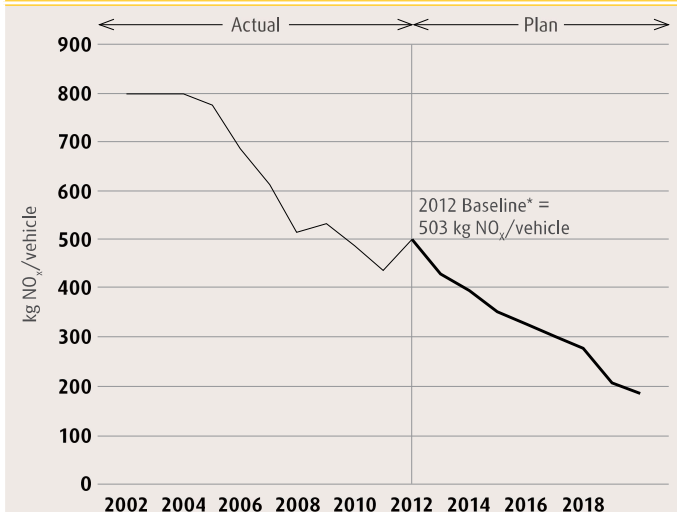


Goal: Reduce our PM2.5 Emissions (kg/vehicle) for years 2012-2020 by 75%

Data points represent results at end of calendar year.

NO_x Emissions per Ground Vehicle

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



Goal: Reduce our NO_x Emissions (kg/vehicle) for years 2012-2020 by 60%

Data points represent results at end of calendar year.

* The reason for increase in emission in 2012 was due to the addition of the UPS Freight Fleet.

5

EN20

Facilities



The second component of our greenhouse gas reduction strategy focuses on stationary assets, which primarily means facilities (excluding the vehicles, planes, trains, and ships used in our transport network). Stationary emissions declined to 8.0 percent of our global carbon inventory in 2012 from 8.2 percent in 2011. We continue to develop, sustain, or expand initiatives to reduce energy use in all our facilities. Below we discuss energy saved due to conservation and efficiency improvements, and initiatives to reduce indirect energy consumption and reductions achieved. A complete listing of our enterprise energy performance appears in Appendix E on [page 132](#).

New Process for Measuring Resource Consumption

At the end of 2012, we rolled out a new process to measure and manage resource consumption at package-handling facilities in our U.S. Domestic Package segment. Each of the 17 geographic districts in the segment now projects its use of electricity, natural gas, and water for the year and then tracks actual usage. Districts measure consumption using data from all their package-handling facilities, which may entail 50 to 100 distinct utilities accounts, and index them to an overall sustainability score for the district. Projects and actual usage are updated and reported to management on a monthly basis. We believe that more regular reporting will help us improve our understanding of local consumption patterns and help identify opportunities for reducing resource consumption over time.

Energy Generation and Conservation

Lighting

In 2011, we substantially completed our multi-year lighting upgrade program in which we replaced or upgraded approximately 100,000 fixtures with more energy-efficient lamps. In 2012, we began to focus on new lighting technologies that can provide a return on investment in small-scale implementations. The first projects in this new phase, all in the United States, are expected to generate energy savings of 862,000 kilowatt hours per year.

Renewable Energy

In 2012, we continued to expand our “owner/operator” model for renewable energy. We added two new photovoltaic solar systems to facilities in Parsippany, New Jersey and Secaucus, New Jersey, respectively, each generating 1.125 megawatts of electricity. Our wholly-owned renewable energy generating capacity now stands at 2.6 megawatts in the United States, and can produce more than 3.5 million kilowatt hours a year. We continued to evaluate more sites and facilities for renewable energy production in the future.

Back-Office Energy Conservation

Our attention to energy efficiency within our office and operating facilities continued in 2012, with upgrades to heating and cooling systems and improved energy management systems. These projects in the United States are projected to save 185,000 kilowatt hours and 11,300 therms of natural gas annually.

Water

EN8

Over the next few decades, UPS (like many businesses around the world) will see water scarcity and water stress issues that affect a significant number of locations where we have facilities. While our own water needs are modest compared to many other industries, water scarcity and water stress can be devastating to local communities. We describe the three pillars of our global water stewardship strategy on [page 33](#). Here we report on results for 2012 from our conservation efforts.

Within our operations, our measurements show that approximately 20 percent of our facilities in the United States account for 80 percent of our total water usage and water cost. We are therefore concentrating our water conservation and stewardship efforts on those facilities where we have concerns about water risk or water scarcity.

As we do with our global logistics network, we are addressing conservation opportunities in our infrastructure and technology, in our systems and processes, and with our people. Our experience is that the best results come when we combine all three. Washing our vehicles shows how this combination can work:

- We are upgrading facilities with low-flow water fixtures and designing them into our new facilities.
- We wash vehicles only as necessary to maintain appearance.
- We use an environmentally friendly enzyme wash agent that reduces the need for rinse water.
- At some of our larger hub facilities, we reclaim water from vehicle washing activities.

In 2012, we assessed numerous water conservation techniques that we have employed in the past, and sought new techniques and technologies that are suitable to the types of buildings and facilities we operate. We are particularly interested in improving water efficiency in cooling towers, irrigation systems, and water-cooled ice machines used to maintain hydration of employees during warm weather. In some cases our facilities are required by local ordinances to maintain landscape appearance in ways that currently require significant volumes of water for irrigation. In 2012, we planned a pilot project at one such facility, aimed at using weather forecasting technology and other methods to maintain landscape appearance with less water. We intend to implement this project in 2013.

The chart below shows our global water consumption by business segment over the past four years, as measured in millions of cubic meters (m³). We continue to increase our data-gathering capabilities for water by refining and collecting more data from our international operations. The increase in water consumption reported for our international segment (from 0.76 million m³ in 2011 to 0.77 million m³ in 2012) is due primarily to gathering more detailed data from more countries than in the year prior. We improved the granularity of data in our international segment (as we currently do for our domestic facilities) by collecting data at the facility level, rather than at the country level. This benefited UPS in two ways:

1. Information is entered into our global accounting system at a local level, which enabled us to do a more targeted follow-up.
2. A stronger emphasis on providing more detailed water data has made local facilities managers more aware of their water consumption, which leads to a more conscious effort to better measure and manage it.

In our U.S Domestic Package segment, our largest segment, we have successfully maintained a downward trend in water consumption for a number of years. Our water consumption decreased 5 percent in 2012 compared to 2011. This is due in part to more engagement with district and facility managers as part of our water stewardship strategy, using data gathered with the WBCSD Global Water Tool. In some cases, unusual water consumption patterns in our data enabled us to alert facility managers to anomalies with underlying causes, such as undetected leaks, that they could quickly correct.

Global Water Consumption

	2009 (million m ³)	2010 (million m ³)	2011 (million m ³)	2012 (million m ³)	% Change 11/12
U.S Domestic Package	3.90	3.99	3.93	3.75	-5%
International Package	—	0.53	0.76	0.77	1%
Global Supply Chain & Freight	0.62	1.38	0.88	0.74	-16%
Total Water Consumption	4.52	5.90	5.57	5.26	-6%

Effluents and Waste

UPS is currently collecting and disclosing data for solid, hazardous, and non-hazardous waste for operations in the United States, based on information provided by our waste disposal vendors. We continue to improve our internal processes for collecting and disclosing these wastes in our International segment.

Because UPS is not involved in manufacturing, our management and mitigation of effluents and waste is limited primarily to solid waste disposal and recycling from supplier packaging, pallets, scrap metal, office paper, plastics and mixed recycling, and facility-generated waste from aircraft maintenance, vehicle maintenance, and facility operations. The complete breakdown of waste by type in the United States is shown in the table on the following page.

Waste Management

EN22

Solid Waste Management

Despite package volume growth in the U.S. Domestic Package segment and in the United States operations of our Supply Chain & Freight segment, facilities in the United States, cut their solid waste disposal by 6.5 percent in 2012 compared to 2011. We also continued our initiative to improve our recycling programs at over 1,200 facilities in the United States helping to increase the tonnage of solid waste recycled by 37.5 percent compared to 2011. This in turn saved UPS more than US\$1.7 million in disposal costs, which benefits all our sustainability stakeholders. Note that the percent differences described above are based on lower figures for solid waste disposal and recycling tonnage than we previously reported for 2011. The revised basis of comparison resulted from improved data reporting by a major national vendor, on a retrospective basis.

EPA developed a Waste Reduction Model (WARM) to translate waste prevention and recycling data into equivalent greenhouse gas reductions. Using WARM, EPA calculated that UPS's recycling efforts yielded a reduction of 164,223 metric tonnes of CO₂e in 2012. This amount is equivalent to removing 30,077 passenger vehicles from the road for a year.

Hazardous and Non-hazardous Waste Management

The hazardous and non-hazardous wastes we manage come from aircraft, vehicle, and facility operations. These wastes typically include spent antifreeze, used oil, spent solvents, spill residues, paint wastes, used filters, batteries, e-waste, and leaking packages. We recycle or dispose of non-hazardous waste locally through numerous vendors in the United States that we determine are capable of handling them.

In 2012, UPS operating facilities in the United States generated 1,475 tons of hazardous waste. To ensure hazardous wastes are properly disposed of, we manage these wastes through approved national vendors that have a documented track record of compliance with recognized industry disposal practices. These vendors are generally well established, observe industry standard safety procedures, and are regularly audited by UPS and/or an outside auditor to ensure compliance with laws and regulations. Our contracts with national and local vendors specify that we receive a "cradle to grave" certification letter that specifies responsible waste and disposal methods.

Zero Waste Initiative

The "Vision 2050" of the World Business Council for Sustainable Development describes a pathway toward a more sustainable future. One of the pathway's ambitious elements aims at "not a particle of waste," with landfills phased out within the next two decades. In 2011, we began incorporating this element to our environmental sustainability program.

We first identified two facilities that were good candidates for diverting at least 90 percent of their waste from landfill or incineration. (This is the generally recognized threshold for so-called "zero waste to landfill" goals or programs.) We used these first two facilities as test beds in 2012, to collect baseline data and establish a waste transition process. Both facilities achieved the target waste diversion rate of 90 percent. We now plan to move this forward in other facilities.

Waste Disposal and Recycling (U.S. tons)

	U.S. Domestic Package, Supply Chain & Freight	Incinerated	Landfilled	Recovery	Recycled	Total
1	Solid Waste Disposal Total	—	74,260	—	—	74,260
	National vendors	—	71,726	—	—	—
	Local vendors	—	2,534	—	—	—
2	Solid Waste Recycling Total	—	—	—	56,419	56,419
	Corrugated containers – National vendors	—	—	—	13,774	—
	Pallets and wood waste – National vendors	—	—	—	21,876	—
	Metals – National vendors	—	—	—	7,788	—
	Mixed recycling – National vendors	—	—	—	12,284	—
	Office paper – National vendors	—	—	—	552	—
	Plastics – National vendors	—	—	—	145	—
	Solid waste recycling – Local vendors ¹	—	—	—	Not Reported	—
3	Hazardous Waste Total	626	12	762	75	1,475
	Auto, aircraft, facility maintenance, damaged packages, etc. – National vendors ²	626	12	762	75	—
	Auto, aircraft, facility maintenance, damaged packages, etc. – Local vendors	0	0	0	0	—
4	Non-Hazardous Waste Total	611	260	1,227	8,143	10,242
	Auto, aircraft, facility maintenance, damaged packages, etc. – National vendors	435	139	816	3,694	—
	Electronic waste – National vendors	0	0	0	1,188	—
	Batteries – National vendors ³	0	0	0	18	—
	Auto, aircraft, facility maintenance, damaged packages, etc. – Local vendors	176	121	411	3,243	—
	Total Waste by Disposal Method	1,237	74,532	1,989	64,638	142,396

¹ We are in the process of collecting more refined data to disclose local vendors' solid waste recycling tonnage in future reports

² Approved national vendor – approval process consists of vendor site visits, audits, and other internal controls

³ Rechargeable and non-rechargeable batteries excluding automotive batteries

Compliance

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, particularly regarding our strong internal audit capability, is provided in "Marketplace—Operating Responsibly" (page 79).

Through our Corporate Environmental Affairs Department, we have established site-specific and activity-specific programs for environmental compliance and pollution prevention. We continually evaluate improved technology and seek opportunities to improve environmental performance. Everyone who is part of the UPS organization is expected to support our effort to maintain a leadership role in protecting the environment. Our environmental responsibilities include:

- Properly storing, handling, and disposing of hazardous materials 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.

Agency Environmental Inspections

UPS operates in a regulation-intensive environment due to the number and types of hazardous and non-hazardous materials, wastes, and effluents required to maintain a large number of operating facilities as well as a very large, highly diverse fleet of ground vehicles and airplanes. Compliance procedures are extensive and detailed, and even seemingly small procedural errors in documenting our compliance can lead to financial penalties. Nevertheless, we strive for error-free performance and the lowest possible risk to UPS and our stakeholders. We therefore cooperate fully with all environmental regulatory agencies that oversee our facilities and activities, and report transparently on the results of their inspections.

EN28

In 2012, federal and state environmental agencies in the United States conducted 983 environmental inspections at UPS facilities, a 4.9 percent increase from 2011. Of the total environmental inspections, 807 were conducted in our U.S. Domestic Package segment and 176 were conducted in our Supply Chain & Freight segment. Even with the increased number of inspections, notices of violation fell to 42 compared to 55 in 2011. We paid a total of seven fines in 2012, with total penalties of US\$12,350. Five penalties occurred in the U.S. Domestic Package segment and two in the Supply Chain & Freight segment. For comparison, we paid 13 fines in 2011, with total penalties of US\$11,780. Nine penalties occurred in the U.S. Domestic Package segment and four in the Supply Chain & Freight segment.

In all, the notices of violation that resulted from inspections decreased 23.6 percent year-over-year, a result of increased employee awareness through new tracking tools and enhanced communications. The overall success of our environmental program is reflected in the result of our KPI—Penalties as a Percent of Total Inspections—achieving nearly a 50 percent improvement over 2011 for both our U.S. Domestic Package and Supply Chain & Freight segments. Multi-year data for this KPI is presented on page 68.

Incidental Spills

An incidental spill is defined as a spill or release that is required to be reported to a federal or state regulatory agency. A spill at UPS typically occurs on pavement or in a building, and requires a cleanup either by trained company personnel or an outside spill response contractor. The volume from reportable spills in the U.S. in 2012 declined 14 percent, to 4,723 gallons on 144 incidents, compared to 5,499 gallons on 119 incidents in 2011. A high percentage of our spills typically occur from accidents and equipment failure. We continue to address common causes in an effort to reduce the number and volume of spills moving forward. Outside the U.S., we conduct spill management programs as part of implementing our Global Environmental Standards Manual, which is modeled on the ISO 14001 environmental standard. Reportable spills went up slightly and are discussed on page 98 under "Shortcomings".

EN23

5

Biodiversity

EN14

Additional Contextual Information

The great majority of UPS facilities are in urbanized areas where they have minimal effect on biodiversity issues. Nevertheless, UPS locates and manages facilities to prevent negative impacts on biodiversity, particularly with regard to new facilities and those in non-urban locations near biodiverse habitats. We set and adhere to criteria for selecting sites, purchasing land, and making decisions about the site placement and construction of facilities so as to minimize their effects on local biodiversity.

As a separate issue, we cooperate fully with governmental authorities in cases where our transportation network could inadvertently become the means for invasive species to spread. We ensure access for authorized inspectors into our air hubs, aircraft, and related facilities, and we follow the guidelines for U.S. domestic air transport operations, provided by the USDA Animal and Plant Health Inspection Service.

Other than the biodiversity priorities outlined above, UPS and its stakeholders do not consider biodiversity a material issue for the company (see “Materiality,” [page 63](#)). This is due to a number of relevant factors, such as the location of most of our facilities in urban areas and the fact that we do not engage in agriculture, manufacture products, or extract and process raw materials. We therefore do not report on the location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas; habitats protected or restored; or the number of IUCN Red List species and national conservation list species with habitats in areas affected by our operations.

Key Successes and Shortcomings

Successes

UPS made notable progress across many environmental programs and initiatives in 2012. Key successes are listed below. Note that this list does not include recognition from outside organizations and publications for our sustainability programs and reporting transparency. We present selected examples of such recognition on [pages 23-24](#).

UPS delivered the following key successes within the 2012 scope and boundary of this Report:

- Achieved positive results on 9 of our 11 Key Performance Indicators related to the environment (see [pages 67-68](#)).
- Achieved absolute reductions in both Scope 1 and Scope 2 carbon emissions compared to 2011, using the widely accepted global reporting standards of the Greenhouse Gas Protocol (see [page 84](#)).
- Increased the number of Scope 3 emission categories we report on according to the Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (see [page 69](#)).
- Continued to achieve rapid improvements in fuel and emissions efficiency in the freight operations of our Supply Chain & Freight segment, by applying technologies and techniques honed in our U.S. Domestic Package segment (see [page 91](#)).
- Approved substantial additional investments in vehicles and stations for low-emission liquefied natural gas (LNG); creating a critical mass of LNG technology in the United States helps make it more affordable and available for other commercial transportation companies (see [page 52](#)).
- Offset carbon emissions associated with our extensive operations and hospitality as Official Logistics and Express Delivery Supporter of the London 2012 Olympic and Paralympic Games (see [page 51](#)).
- Reported to the water program of CDP—an analog to the CDP carbon program—and contributing to CDP’s 2012 Global Water Report (see [page 33](#)).
- Achieved more than 90 percent diversion of waste from landfill or incineration at both UPS facilities selected to evaluate methods and practices for our Zero Waste Initiative (see [page 94](#)).

Shortcomings

The number of reportable spill incidents in the United States (an environmental KPI) increased compared to the prior year, for the second year in a row. This shortcoming is partially mitigated by the fact that actual volume from reportable spills declined 14 percent compared to 2011. This KPI is shown graphically on [page 68](#) and discussed narratively on [page 96](#). All other environmental KPIs showed improvement year-over-year.

Work in Progress

As always, UPS has numerous environmental programs and initiatives in progress that cross from one year into the next. Notable work in progress in 2013 includes the following:

- Preparing to add yet another category of Scope 3 carbon emissions to our reporting (see [page 69](#)).
- Adding winglets to our fleet of Boeing 767 long-haul aircraft to increase their fuel-efficiency (see [page 87](#)).
- Building previously announced maintenance and fueling stations for LNG vehicles in the state of Tennessee (see [page 52](#)).
- Purchasing approximately 700 LNG vehicles and building four refueling stations by the end of 2014 (see [page 52](#)).
- Preparing to design and build additional solar energy systems that we own and manage internally, modeled on the financially successful 250-kW system in Lakewood, New Jersey that we completed in 2011.
- Continuing to refine and deepen our measurement data for water use in our facilities around the world, and making water use a standard metric for local operations managers.
- Implementing water conservation programs in high-use facilities in the United States.
- Implementing the previously announced UPS Global Forestry Initiative, with a 2011-2013 goal of planting more than a million trees on five continents (see [page 25](#)).

Risks and Opportunities

Enterprise Risk Management Program

UPS integrates climate change risks and opportunities into its multidisciplinary, company-wide risk management process. We utilize a mature ERM (Enterprise Risk Management) program in combination with close linkages to Corporate Strategy, Risk Management (insurance programs and/or hedging programs), and the Business Continuity Group. Each plays an important role in the overall management of risks in relationship to meeting business objectives. Our ERM program provides detection and governance processes, while Corporate Strategy reviews many of the opportunities as well as long-term mitigation initiatives. Traditional risk management helps to limit exposure where necessary, ensuring fiscal requirements are met for recovery. Business Continuity provides resiliency for the organization through well-developed response plans coupled with practice drills of the most likely business disruption scenarios.

The key to the success of our ERM program is a rigorous process that includes identifying risks and opportunities related to regulation, customer behavior, brand reputation, and weather. This process utilizes internal surveys of key senior management as well as information and perspectives obtained through outside consulting relationships, benchmarks against other organizations' risk profiles, and active participation in roundtable risk committee sessions. Below we discuss the major risk categories related to the environment that we assess in the ERM program. For more complete information regarding the program and risk factors affecting UPS, you can:

- Visit the UPS investor relations website (investors.ups.com) to view our filings with the United States Securities and Exchange Commission (SEC).
- View the UPS submission to CDP (cdproject.net)

Climate Change-Related Regulatory Risk

Through the ERM process described above, we review multiple potential climate change regulatory risks—including, but not limited to, carbon taxes, cap and trade schemes, fuel/energy taxes and regulations, environmental concerns, and customers' demand to reduce their carbon footprints. Based on this risk process, the risk analysis timeframe, the financial impact within the timeframe, and the global perspective of providing services in more than 220 countries and territories regarding regulatory developments, no regulatory risks relating to climate change have been identified as having the potential to generate substantive change in our business operations, revenue, or expenditures.

The largest potential risk category is aviation cap and trade. Within the category, the most significant potential risk is related to the EU Emissions Trading Scheme (EU ETS). Even so, the estimated cost of the impact of EU ETS is, in the short-term, small compared to risks that arise as substantive through our internal Enterprise Risk Management process.

Without modifying the aforementioned risk analysis, it should be noted that UPS as a company is deeply engaged in carbon-related risk mitigation initiatives. We describe these initiatives in detail in "Greenhouse Gas Reduction Strategy," beginning on [page 86](#). This strategy focuses on intermodal shifting, network efficiencies, air and ground fleet efficiencies, integration of technological and human factors, and more.

As a global company with operations in more than 220 countries and territories, UPS is continually evaluating current and potential future regulations around the world for applicability. Because of UPS's global footprint, the company is able to absorb the impact of carbon taxes, cap and trade schemes, and fuel/energy taxes, and regulatory changes that may occur in one country/region and offset the effect across its global network. Over time, expenditures relating to regulatory changes in one country/region will be fully incorporated by the specific country/region.

EU Emissions Trading Scheme (EU ETS)

At present, UPS's planning horizon for the regulatory impact of EU ETS is short-term (1 to 5 years ahead) due to a number of factors that add considerable uncertainty to any long-term perspective. We met our 2012 compliance obligations with respect to EU ETS. UPS has further determined that EU ETS, in its current form, does not present a short-term substantive regulatory risk. Airlines could potentially be included in EU ETS in 2013, after a one-year extension was instituted in 2012.

Recent events demonstrate the possible proliferation of other national EU ETS-like schemes. Notwithstanding legal challenges, it is anticipated that uncertainties posed by these potentially overlapping schemes add complexities and confusion to global aviation regulations and may slow the certainty of the EU ETS regulatory timeline. In the event that other national schemes do succeed under the premise of claiming exemption from EU ETS as an equivalent program, the financial implications could vary. The expected occurrence of such a scenario is outside UPS's planning timeframe of 1 to 5 years. The financial impact of EU ETS will be distributed across the entire aviation industry, of which UPS is a typical member. This therefore mitigates the risk of competitive disadvantage to any one company.

Climate Change-Related Physical Risk

Through the ERM process described previously, UPS reviews potential climate risks including, but not limited to, changes in precipitation, snow, ice, and tropical cyclones. When looking at physical risks, we evaluate both day-to-day weather-related changes and catastrophic events. Based on this risk process, the risk analysis timeframe, the financial impact within the timeframe, the global perspective of providing services in more than 220 countries and territories regarding physical risks, and the highly flexible and adaptable nature of the UPS integrated network, no physical risks relating to climate change have been identified as having the potential to generate substantive change in UPS's business operations, revenue, or expenditures over the foreseeable future.

Being a global company with facilities located all over the world, UPS is accustomed to addressing a wide variance of climate conditions and weather interruptions; therefore, UPS does not expect a slow change in climate conditions to affect its service in the near term.

Risks related to natural disasters (such as hurricanes, tornadoes, floods, etc.) represent the largest potential risk category to UPS. However, the estimated cost impact of these types of risks in the short-term is small compared to risks that arise as substantive through the ERM process. We maintain and test operational contingency plans to address episodic disruptions in locations where severe climate conditions are more likely to impact our network. For example, risks are evaluated with assurance of alternative plans in the event of a severe storm. These contingency plans are reviewed quarterly at the corporate level and presented annually to our Board of Directors.

The sheer size of the integrated UPS network (nearly 3000+ facilities) allows for rapid operational changes in how we utilize the network and provides us with the flexibility necessary to recover promptly from catastrophic events. For example, we can route packages and choose modes of transport as required to lessen the loss of volume we can carry and associated delays in delivery. Our planning horizon for this type of short-term risk is current, meaning that we have no way of forecasting when or where these events will occur in the future.

A number of natural disasters and related phenomenon in recent years demonstrate how our flexible response to this physical and financial risk plays out at UPS. The United States has experienced a number of severe weather events in each of the past seven years, including Hurricane Katrina in 2005 and Superstorm Sandy in 2012. In each case, we were able to promptly restore our operations even when the affected region's industrial base was destroyed or damaged. We put in place contingency plans to bypass affected areas of the region as necessary, minimizing any impact to our network operations as a whole.

Because of the robustness and reliability of our network, UPS is regularly in position to provide disaster recovery and humanitarian aid services as an in-kind provider of logistics and transportation services or as a philanthropic partner (and sometimes both).

Workplace— Introduction

UPS is one of the world's largest employers in the private sector—and less than 20 percent of our people work in a typical office building. The rest work in freight and package handling or drive motor vehicles, which means their workplace is the roads, streets, and highways of the world as well as hundreds of sorting facilities, distribution centers, and vast, complex air hubs.

We expect our employees to operate vehicles, equipment, and information technology tools while fully committed to safety; to meet daily and hourly business deadlines; and to maintain a positive attitude toward customers and co-workers at all times. We also expect them to represent our brand, culture, and values day in and day out, throughout the world. The way they embrace these challenges is one of the reasons UPS has been included for more than 20 years on the FORTUNE Magazine list of “World's Most Admired Companies.”

We have been able to maintain a long tradition of excellence and high standards by hiring the most talented people we can regardless of their race, gender, gender identity, or sexual orientation. And because we value their talents and diversity so fully, we systematically invest substantial resources in training, educating, and promoting our employees to increase their capabilities and career opportunities even further.

Management Approach

The majority of our managers started in non-management positions, so they have first-hand experience of the UPS workplace from the bottom up. This generates one of the most important aspects of our corporate culture: an egalitarian, can-do attitude at all levels of the organization. So our management approach in the workplace begins with preserving and reinforcing this attitude, even as we expand internationally at a rapid rate.

Our primary strategies in this regard have remained in place for decades.

- We keep our employees safe, with a comprehensive program combining training, technology, recognition, and continuous communication aimed at minimizing unsafe situations and behavior.
- We develop our employees as workers and individuals, with training for both current tasks and future career development.
- We promote our employees to new responsibilities and roles, which adds value both to UPS and to the individual.
- We thrive on diversity, recognizing that it makes us stronger and more sustainable as an organization.
- We retain employees as a high priority even when macroeconomic conditions reduce our business opportunities.

- We help our employees maintain healthy lifestyles with a broad range of programs and benefits to promote whole-person health and wellness.

Policy & Responsibility

LT16

Use of Metrics and KPIs

We use metrics and key performance indicators (KPIs) throughout the workplace, where they can give management a clearer view of trends and help us spot opportunities to execute on the management approach previously outlined. We consistently report on four workplace KPIs, using the same terms and definitions as in past years and presenting prior-year data for comparison. In this Report, the workplace KPIs appear on [page 68](#).

Responsibility

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

Training and Awareness

Most of our senior managers have worked in multiple functions within the company. This includes members of our Management Committee, the most senior management body at UPS. To reach the Management Committee, an employee must work at multiple levels in multiple departments and facilities throughout the company. Our company leaders are thus aware 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 on-the-job issues.

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 employee engagement survey (EES), which is a survey of employees at all levels and locations of the company. Many business units gather their survey results from a representative subset of their employees. The EES is reported back to all employees and also to management, up to and including the UPS Management Committee. We use a subset of the EES for our annual KPI on employee engagement (see “Employee Satisfaction” on the following page).

Additional Information

Numerous outside stakeholder groups monitor UPS with regard to workplace issues. These include industry publications, general interest publications, professional groups, and workplace interest groups. We take their



views and reports seriously. When outside stakeholders raise issues about our workplace practices or performance, we engage with them directly to understand how we can best address the issues. UPS routinely wins positive recognition from outside observers regarding equal opportunity, diversity, and other employment issues.

UPS does not rely on recruitment and placement services to a significant extent. When we do contract with recruitment and placement services, we conduct those relationships in accordance with our Code of Business Conduct and Policy Book, other UPS governance structures, and all applicable laws and regulations. We believe the criteria established in our governance structures substantially meet or exceeds existing international standards. Organizations that do not meet these standards are not eligible to provide recruitment and placement services to UPS.

Our approach to workforce stability and employment continuity relies on effective business planning. Proactive workforce strategies and staffing partnerships help us work through challenging economic conditions. While the majority of our people are regular employees, we meet seasonal customer demands by hiring more than 100,000 seasonal employees globally, and where applicable, professional service companies and contingent workers are added to supplement service flexibility and staffing needs. During conditions, which require a reduction in regular employee numbers, we employ numerous measures to ensure income security and employment continuity for our regular employees. These include limiting new hiring, transferring employees into equivalent positions in other departments, and training them for new positions either in their own department, a new department, or business unit.

Goals and Performance

Employee Satisfaction

Our KPIs for workplace include Full-Time Employee Retention Rates, Employer of Choice Index results, Lost Time Injury Frequency, and Auto Accident Frequency. All of these trended positively in 2012 compared to 2011.

Safety on the Job

Of note, our two safety KPIs continue to improve due in part to revamped training for managers in how to educate, instruct, and motivate their teams about safety on the road and on the job. In 2012, more than 850 front-line managers and supervisors completed dedicated courses in the areas of auto accident and injury prevention.

Employment Statistics

As of September 30, 2012, UPS had 397,123 permanent employees (approximately 100,000 seasonal contingent hires), including 76,885 people employed outside the U.S. We hired 59,562 permanent new employees in 2012.

Additionally, our workforce is broken down by gender as:

1. 20.2 percent total female (18.5 percent in the U.S., 27.1 percent outside the U.S.).
2. More than 71,506 full and part-time management, of which 29.0 percent are female (28.8 percent in the U.S., 30.1 percent outside the U.S.).
3. More than 325,617 full and part-time non-management, of which 18.3 percent are female (16.2 percent in the U.S., 26.6 percent outside the U.S.).

Global Workforce (Full-Time and Part-Time)

Global Operations

Global Full-Time Workforce		Global Part-Time Workforce	
Drivers	107,578	Drivers	3,901
Administrative and Clerical	29,616	Administrative and Clerical	8,267
Management	45,527	Management	25,979
Inside Manual	26,300	Inside Manual	138,290
Others	1,128	Others	499
Mechanics	7,227	Mechanics	184
Flight Crew	2,627		
Total	220,003	Total	177,120

Risks and Opportunities

A full discussion of risk factors related to the workplace is included in our Annual Report, which is available online at www.ups.com/investors. The main opportunities in the workplace at UPS are discussed in this Report.

Occupational Health and Safety

Maintaining a Safety Culture Company-Wide

LA6 LA7 LT9 LT12

Safety is our highest priority on the job. It is essential to keeping our commitments to customers and maintaining our strong reputation as an employer. More than 460 people at UPS work full-time to protect the health and safety of their fellow employees. This is in addition to the health and safety committees that are part of the Comprehensive Health and Safety Process (CHSP) described below. Our primary safety strategies include:

- Conducting regular and comprehensive training for employees working with vehicles, with airplanes, or in freight handling roles. We spent US\$118.4 million (about 25 percent of our training budget) on teaching more than 150 formal safety training courses in 2012. Our employees devoted more than 3.8 million hours to safety training during the year.
- Continually increasing the safety of our facilities and equipment. Many of the ideas for these improvements and upgrades come from our Comprehensive Health and Safety Process (CHSP) members. There are more than 3,000 CHSP committees in UPS facilities worldwide. The committees are run primarily by hourly employees, with management support. The CHSP committee framework is designed to allow for participation of approximately 10 percent of the workforce, who represent all UPS workers in their operations. It is ultimately up to every employee to help maintain a safe workplace.
- Enforcing stringent policies governing working hours and rest hours, rest facilities, and leave times for people who drive and operate vehicles. These policies recognize the differences between the safety requirements for delivery drivers, long-haul drivers of freight vehicles, and airline pilots. Our policies conform to laws and regulations in the countries, states, and other political entities where we operate, and they are often included in our contracts with collective bargaining organizations. We regularly audit conformance to these policies and review their continued effectiveness.
- Recognizing outstanding safety performers. In 2012, we honored 1,283 drivers with membership in the UPS “Circle of Honor” for reaching 25 years of driving without an avoidable accident. This group included 36 women. The Circle of Honor now includes 6,486 drivers who have achieved this remarkable record, including 132 women.

We deeply regret the fatal auto accidents that claimed the lives of 11 UPS male employees in 2012. Whenever an accident occurs, we invest significant management attention in investigating the cause and improving our procedures and safety training if possible. In 2012, 19.2 percent of injuries in the U.S., Canada, and Puerto Rico involved women.

Programs for Whole-Person Health

LA3 LA8 LT11

In 2012, UPS provided health benefits for more than 722,000 employees, retirees, and their dependents. We administer several benefit plans to meet the health and wellness needs of various employee groups. In addition, we make contributions on behalf of employees in union-administered plans. While there are variations in available plans, the following is an overview of UPS employee benefits:

- Medical
- Dental
- Vision
- Prescription Drug Program
- Life Insurance
- Supplemental Group Universal Life Program
- Business Travel Accident Insurance
- Sickness & Accident Insurance
- Long-Term Disability with Inflation Coverage
- Long-Term Care Insurance
- Child/Eldercare Spending Accounts
- Healthcare Spending Accounts
- Cancer Insurance
- Work-Life Balance Programs

Our benefits programs also include education programs, tools, counseling, prevention, and risk-control programs in place to assist employees, their families, or community members regarding substance abuse and serious diseases. Topics include smoking cessation, health assessments, drug counseling, management of diabetes, and management of high blood pressure, among many others. The goal of these programs and tools is getting our employees to take wellness personally, by making informed choices in how they live and respond to wellness challenges.

One of our strategies for achieving this is to match employees with people—including peers on the job—who can help them.

- Our “health coaches” program gives eligible UPS employees access to registered nurses who provide confidential assistance in understanding healthcare issues and navigating the healthcare system. Health coaches helped more than 22,000 UPS employees and family members in 2012.
- Our “Wellness Champions” program supports members of the Comprehensive Health and Safety (CHSP) committees. The program provides CHSP committee members with tools and resources that inform co-workers about health risks and encourage them to adopt healthy lifestyles to prevent or offset their health risks.

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- Our Employee Assistance Program (EAP) provides practical information, referrals to trained professionals, and support for a wide-range of work/life issues from financial concerns and childcare to substance abuse and bereavement. Since its inception in 2006, 598,666 UPS employees and/or household members have benefited from the EAP.

Pilot and Aircraft Safety

During 2012, we continued implementing recommendations from the Joint UPS-IPA Safety Task Force. The Task Force includes three members from the Independent Pilots Association (IPA), which represents most of the pilots flying for UPS Airlines, and three members from UPS management. Together they have been working with the Federal Aviation Administration, Boeing, Airbus, safety vendors, and other industry experts, examining more than 40 options for enhancing safety in airplane cockpits. We began implementing Task Force recommendations in 2011, and expect the majority to be completed by 2014. One example is the installation of new full-face oxygen masks on our MD-11 aircraft. The masks replace a separate mask-and-smoke goggle combination that took about 20 seconds for pilots to put on. The new masks can be put on in just a few seconds and offer a significant safety advantage in an emergency.

The Task Force and UPS continue to study emerging technologies that will allow crew members to safely land aircraft in fire situations. These include fire containment covers, temperature sensing systems, portable fire suppression for containers, and container mounted suppression systems. We will continue our exhaustive research and endeavor to make the right decisions to ensure the safety of our people, aircraft, and customer shipments.

Compensation and Ownership

We believe our employees are among the best paid in the industry. We also believe that long-term stock ownership of our company by employees is an important contributor to our future success, because it tends to increase their commitment to our strategies and execution—whether they are full-time or part-time, management or non-management, union or union-free. Our employees began sharing the benefits of stock ownership in the 1920s. UPS offers highly competitive hourly wages, salaries, and total compensation plans to both full-time and part-time employees. UPS became a public company in 1999. Employees can purchase stock through the Discounted Employee Stock Purchase Program and their 401(k) plan. In 2012, approximately 116,231 employees were shareholders.

Training, Education, and Development

LA8 LA11

Training

Our strategy for training, education, and development is to invest in our people in ways that make UPS more sustainable and our people better prepared to excel in their jobs and careers. A vital aspect of sustainability in this regard is return on investment. We aim to deliver high-impact training, education and development in a diverse, geographically dispersed company at a cost that ensures a solid return on investment for both UPS and our people.

One of the metrics we use for measuring our success is cost per learner. In 2012, we spent more than US\$474 million on training. Non-management employees received an average of 13.48 hours of training, and employees in management received an average of 28.22 hours of training. The overall cost per learner for all employees was US\$73 in 2012.

We reduced our cost per learning year-over-year primarily by increasing the percentage of our learning that is delivered electronically. While our blended approach to learning still includes instructor-led training in the classroom, we are increasing the proportions of instructor-led training online and on-demand e-learning. The blended approach enables UPS to provide learning to all full-time management employees worldwide, and to provide classroom instruction more strategically without limiting overall learning opportunities. For example, we are steadily building out the library of on-demand offerings that we provide via our enterprise-wide learning management system, UPS University (see [page 48](#)).

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 provides development for upper management. External programs for continued development include access to online management and job-specific courses delivered via UPS University, our UPS Education Assistance Program, and our support for professional certifications and attendance at seminars and conferences. UPS University offers thousands of online learning resources.

Education

Tuition assistance for higher education is available to all full-time employees and to a substantial number of part-time employees. This has helped make college students an important source of part-time workers for UPS. They constituted approximately 50 percent of our newly hired part-time employees in 2012. To help them balance work and school, we offer “Earn and Learn” programs in 217 locations in the United States. The program provides

tuition assistance while students work part-time at UPS. In 2012, we provided US\$17.5 million in tuition support to approximately 9,086 UPS-employed students.

Development

We encourage all management employees to continue their career development and job-related education. One of our primary resources for employee development, UPS University, is described earlier on [page 48](#).

Other primary venues for employee development include our annual Quality Performance Review (QPR) process, which is our annual performance review, Career Development process for career advancement planning, and Administrative & Technical Performance Appraisal (ATPA). The ATPA is used to clarify expectations of how performance will be measured, recognize accomplishments, enhance communications, measure performance, and identify areas for continued development.

Approximately 97.9 percent of female management employees and approximately 97.4 percent of male management employees received performance reviews in 2012. Additionally, 57.5 percent of U.S. administrative/technical full-time personnel received performance reviews. QPR discussions include assessment of leadership skills, identification of interests and aspirations, 360-degree feedback, and plans for the future. These discussions determine strengths and opportunities, and encourage individuals to focus on career goals that keep them mobile within the company. The employee receiving the counseling takes away a learning and development plan for the year ahead. We teach UPS managers how to conduct career counseling for their employees as part of our leadership training.

Performance Management

Our performance management philosophy is based on the principle that those who make the greatest contributions to UPS success receive the greatest rewards. This encourages our employees to follow a proven performance management cycle: setting goals, getting regular feedback, and accepting constructive evaluation. By setting meaningful and measureable objectives and exceeding them, employees can set themselves apart and earn appropriate rewards for their efforts. Rewards include pay, recognition, development, and career opportunities.

We provide extensive training resources and communication to foster collaborative efforts between managers and their teams to practice effective performance management.

When we conduct performance management, we consider the business impact, market practices, and company performance to ensure our continued growth and success. All employees play a part in our continued growth as a business, and our individual work successes lead to UPS business success.

LA12

Promotion from Within

One of our most important development opportunities is promoting people who work for UPS, rather than hiring from outside the company. This process gives people the invaluable experience of holding multiple positions in multiple areas, which is one of the primary development paths for future leaders. We have followed this practice 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.

Approximately 60.5 percent of our current full-time drivers were once part-time employees, and more than 79 percent of our full-time managers (including most vice presidents) were once non-management employees. Our part-time workforce totaled approximately 177,120 people in 2012. During the year, 4,928 part-time employees advanced to full-time work. At the end of the year, our management ranks included 1,680 employees who moved into management for the first time.

We also strive to recruit, train, and develop people from within the local community, both in the U.S. and in our international locations. Among full-time management employees, less than half of one percent come from outside the country where they worked in 2012 (202 expatriates out of 45,527 full-time managers). The majority of our senior international managers are working for UPS in their home countries. Available positions are posted on upsjobs.com, and we also promote from within as described earlier.

Diversity and Equal Opportunity

LA13

Diversity and Equal Opportunity

Diversity is an integral part of our global strategy, just as it is part of the social fabric for a company operating in more than 220 countries and territories. In 2012, 27.4 percent of our U.S. management team came from diverse backgrounds, as defined by the U.S. Equal Employment Opportunity Commission. Within the U.S., our workforce was 21.4 percent African-American, 12.4 percent Hispanic, 4.9 percent Asian-American, and 0.8 percent Native American or other. We understand that diversity goes beyond race and gender to include ethnicity, sexual orientation, gender identity, and physical ability. Inclusiveness, respect, and cooperation are core values that help drive the way we do business with our customers and suppliers—and strengthen our bonds with a multi-cultural community of friends and neighbors.

We work hard to ensure that diversity is a positive for everyone at UPS, such as with our Professional Conduct and Anti-Harassment Policy. This policy prohibits harassment based on race, sex, gender, national origin, disability, sexual orientation, age, or religion. Employees receive a detailed orientation on the policy and regular refreshers throughout their UPS careers. Furthermore, many of our basic workforce policies strongly support our diversity policies. These include:

- Operating on a personal basis founded on teamwork and first-name relationships.
- Promoting from within.
- Practicing objective, careful hiring methods.
- Encouraging and assisting employee development by communicating regularly with employees.
- Providing training opportunities and recognizing accomplishments.
- Compensating employees fairly and maintaining a safe work environment.
- Shunning favoritism.
- Respecting each employee's point of view.

Diverse Leadership Development

Some front-line positions in our business, such as drivers and package loaders, have historically attracted men more than women. While we strive for balance in our recruiting based on our commitment to diversity and respect for the many women at UPS who have performed successfully in these roles, many years of data show that men have responded to front-line job opportunities at UPS in greater proportions than women. Coupled with our focus on promoting from within, this has created a need for us to develop and retain women for supervisory and management positions.

Labor/Management Relations

Our Women's Leadership Development Program encourages our existing women in management to remain with the company and develop their careers within UPS. The main activities of the program include:

- Creating meaningful dialogs 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.

We also began Diversity Leaders Development programs in the U.S. for African American, Asian American, Hispanic/Latino, LGBT, individuals with disabilities, and veteran employees.

In 2012, 29.0 percent of our management employees were women, compared to 29.1 percent in 2011. These figures are well above the respective percentages of women in the overall workforce in our industry in these years, including both management and non-management employees. The overall UPS workforce was 20.2 percent female in 2012, compared to 20.3 percent in 2011.

Equal Pay for Men and Women

Approximately 76 percent of all UPS workers in the U.S., including both management and non-management, are represented by collective bargaining organizations (see [page 108](#)). Many of our workers in other countries are also represented by collective bargaining organizations. Unions have historically ensured broad equality in remuneration for union workers, by both ethnicity and gender. UPS currently does not report further on the ratio of basic salary and remuneration of women to men by employee category, or by significant locations of operation. UPS has engaged a third-party consultant to assist with periodic internal analysis to ensure that compensation remains equitable regardless of gender.

We believe that labor/management relations are generally good at UPS. One of the characteristics of our workforce that supports good relations is the high percentage of our managers (79.7 percent in 2012) who began at UPS in front-line positions. This experience gives them personal understanding of, and high respect for, the daily contribution of hundreds of thousands of UPS employees around the world. Similarly, our employees understand that in many cases, their leaders once stood in their place and have risen in the company based on performance, not favoritism.

Working Relationships with Organized Labor

We employed 236,828 Teamsters in 2012, more than any other company in the world. The Independent Pilots Association represented 2,627 pilots of UPS Airlines. In all, approximately 76 percent of UPS employees in the U.S. were covered by collective bargaining agreements in 2012.

We maintain open communication with all our unions, and bargain in good faith on all matters that involve them. All of our collective bargaining agreements contain provisions that address the health and safety of our union employees. These agreements include, but are not limited to, the following topics: health and safety committees, hazardous materials handling, vehicle and personal safety equipment, accidents and reports, and others. UPS's collective bargaining agreements also include minimum notice periods regarding operational changes, which vary by agreement.

During 2012, we continued our successful engagement with the IPA via the Joint UPS-IPA Safety Task Force. The work of the Task Force, which focuses on safety for our pilots, is described earlier in "Pilot and Aircraft Safety" on [page 104](#).

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Human Rights

Policy & Responsibility

UPS's high regard for human rights is essential to the people we hire, as is our strong culture of developing them as workers and individuals and our dedication to serving all kinds of people and businesses, all over the world. Our Human Rights Statement is incorporated into our Code of Business Conduct, which is available online (investors.ups.com) with our other governance documents.

In the last few years, we have been taking steps to formalize our commitment to human rights for two reasons. First, we understand that society benefits when respected organizations recognize human rights as a business issue. Second, our international expansion means we are engaging with new suppliers in many countries around the world, and it helps both UPS and these suppliers to refer to explicit human rights language in our contracts, policies, and other corporate communications.

Organizational responsibility for our human rights policies rests with John McDevitt, Senior Vice President, Human Resources. Mr. McDevitt is a member of the Management Committee, which is responsible for setting and executing all UPS policy.

Investment and Procurement Practices

All significant suppliers are expected to comply with the tenets of our Code of Business Conduct that contains our policies and procedures concerning aspects of human rights that are relevant to UPS operations. All employees of UPS receive training every two years on the Code of Business Conduct, and all new management employees receive this training when they are hired. The Code of Business Conduct is available on our employee website in 16 languages. Approximately 97 percent of full-time managers and specialists have received training in the Code of Business Conduct. Because the training is conducted online, we do not have a total number of training hours available.

Non-Discrimination

We do not currently report publicly on incidents of discrimination and actions taken. Our management receives reports on such incidents, if any, and takes immediate actions to discipline, train, and counsel the parties involved.

Freedom of Association and Collective Bargaining

We support the rights of our employees to become members of a union, and approximately 76 percent of our United States 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. In 2012, we identified no UPS operations in which the right to freedom of association and collective bargaining was at significant risk.

Child Labor; Forced and Compulsory Labor

We are not aware of any incidents, violations, complaints, or concerns in our operations, or among key suppliers, involving the use of child labor or forced or compulsory labor or involvement with human trafficking in 2012. 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

We do not have a specific human rights training program for security personnel.

Indigenous Rights

We are not aware of any incidents of violations involving the rights of indigenous people in 2012.

Assessment and Remediation

We do not report publicly on the number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.

HR4

HR5

HR6 HR7

HR8

HR9

HR3

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Additional Contextual Information

Key Successes

All four KPIs related to the UPS workplace showed positive progress in 2012: two for employee satisfaction and two for safety on the job (see [page 68](#)). In addition, we substantially expanded UPS University and are well positioned to continue its expansion in the years ahead.

The safety improvements were attributable to the collaboration of safety committee chairpersons at our facilities, employee wellness champions, mentorships, training, and sustained safety awareness campaigns. In January 2012, we also distributed “Distracted Driving” procedures that included policies regarding the use of mobile devices and texting while driving.

Work in Progress

In 2012, we continued to implement cockpit safety enhancements identified and selected as part of our work with the Joint UPS-IPA Safety Task Force (see [page 104](#)), and the Task Force continued to study emerging technologies that will allow crew members to safely land aircraft in fire situations.

Contributions to Society

EC8

As an international business working wherever commerce reaches, UPS sees society at the global level. We also see society at the level of villages and neighborhoods, because our business extends to the doorways of homes and small businesses all over the world. We therefore see our role in society from both perspectives.

We operate our business to help the global economy operate more efficiently, with a lower carbon impact and better allocation of resources. We're also engaged internationally in the effort to set standards for sustainability and reporting to help corporations become more transparent about their actions and consequences. At the same time, we are bringing the benefits of our business acumen and infrastructure to individuals and local businesses on a daily basis, millions of times, all around the world. We also seed growth in local communities by spending more than US\$850 million with small and diverse suppliers.

UPS invests in civil society in the same way—from both global and local perspectives. We actively support the world's leading humanitarian relief organizations, including major agencies of the United Nations, and conduct long-term, multinational philanthropic initiatives such as forestry preservation and renewal, community resiliency, and road safety. At the same time, our people again volunteered their time in their communities in greater numbers than ever before. In 2012, the number of recorded volunteer hours reached more than 1.8 million, up from 1.6 million in 2011 and 1.2 million in both 2010 and 2009.

The UPS Foundation

S01

The UPS Foundation leads the global corporate citizenship program for UPS, including philanthropy and volunteer activities. The Foundation focuses its work in four strategic areas that are aligned with UPS strategy and capabilities. These areas include:

- Diversity
- Community Safety
- Environmental Sustainability
- Volunteerism

With regard to charitable donations, including cash and in-kind transportation movements, The UPS Foundation strategy is to allocate approximately 75 percent to global and national organizations and approximately 25 percent to local organizations. In actual practice, these percentages may vary in certain years.

In addition, The UPS Foundation manages UPS's United Way program and runs the United Way employee campaign each year. More information on United Way is provided on [page 112](#).

In this section of the Report, we first detail the Foundation's activities in the four strategic areas. We then summarize key financial results for the Foundation and United Way, and provide extensive detail on the Foundation's governance and grant-making processes.

The UPS Foundation: Strategic Areas

EC9

Diversity

UPS is one of the most diverse companies in the world because of our inclusive hiring policies. We also support organizations that promote opportunities and advancement for diverse populations. By supporting programs that enhance higher education, economic empowerment, mentorship, and inclusion, UPS can help to create greater opportunities for underserved and under-represented segments of society.

Community Safety

Community Safety is a strategic focus area for UPS because our employees live and work in communities throughout the world. We provide substantial support to organizations involved in urgent humanitarian relief, road safety programs, and local community safety initiatives—and we do this both in times of urgent need and “behind the scenes” with capacity building advice and expertise. We are particularly well positioned to help communities with these challenges because of our logistics and supply chain expertise, a global network of local resources, and state-of-the-art road safety techniques.

Our financial and in-kind support for humanitarian relief activities in 2012 totaled US\$6.5 million in 2012, compared to US\$6.4 million in 2011. Within the total for 2012, cash donations were US\$3.9 million and in-kind donations were valued at US\$2.6 million. A table showing in-kind donations for the past 4 years is provided on the next page.

Earlier in this Report, we highlighted a number of representative Community Safety programs and initiatives, including humanitarian relief ([page 31](#)) and road safety ([page 34](#)). We also noted the timely and courageous actions of UPS employees, acting on their own initiative while on the job, to contribute to Community Safety ([page 54](#)).

Environmental Sustainability

Our Environmental Sustainability strategy is to support organizations aligned with UPS environmental goals, expertise, and concerns. The Foundation provides funding for action, education, and research in such vital areas as preservation, conservation, reforestation, and other carbon reduction programs. This financial support is strongly complemented by the expertise and volunteer efforts of our people. Together they support the development and implementation of environmental enhancements and safeguards that benefit communities around the world.

The UPS Foundation made grants totaling US\$3.99 million for Environmental Sustainability in 2012, compared to nearly US\$3.7 million in 2011.

Earlier in this Report, we described our signature program for Environmental Sustainability, the UPS Global Forestry Initiative ([page 27](#)), as well as engagements with major environmental organizations addressing issues such as climate change and water stewardship ([page 21](#)).

Employee Volunteerism

Our people have made volunteering their service in the community a core competency for UPS, donating well over a million volunteer hours annually in recent years. In 2012, the number of hours reached 1.8 million. The time and expertise our volunteers contributed benefited a broad range of organizations, from grass-roots nonprofits in local communities to UPS’s global philanthropic partners. Furthermore, we encourage employee volunteers to nominate the non-profits they support for funding from The UPS Foundation’s Local Grants Program, which gave grants totaling US\$9.5 million to 627 such organizations in 2012. This balanced, engaged approach builds volunteer capacity and has a systemic impact on the efficiency and effectiveness of the nonprofit sector. In addition, we help our people pursue their passion for service by connecting them to local organizations that need help, via a global online system called Neighbor-to-Neighbor.

Earlier in this Report, we provided statistical highlights from Global Volunteer Month ([page 54](#)), which takes place each October and continues to engage more UPSers in volunteerism activities every year.

Skills Categories by Volunteer Activity

Activity	% of Total
Board Activities	6%
Management effectiveness, financial management, organizational development, community outreach, public speaking, partnering with other organizations	
Coaching and Recreational Activities	20%
Team-building, communication, motivation	
Fundraising, Conferences and Special Events	27%
Project management, materials handling, volunteerism	
Health and Wellness	9%
Smoking cessation, wellness champions	
Renovation, Revitalization and Repair	6%
Building construction process, warehouse and distribution technology, information technology	
Teaching, Training and Tutoring	18%
Safe driving, vehicle maintenance, economic literacy	
Other (all not listed above)	14%
Includes humanitarian logistics	

Total Charitable Contributions

LT15

Our Key Performance Indicator for community philanthropic support is Total Charitable Contributions. This metric includes two sources of philanthropic support: charitable donations from The UPS Foundation and donations by employees to United Way. The Foundation directs its charitable donations into the following categories:

- Cash grants to outside organizations, as described below in “Grant-Making.”
- In-kind transportation movements and logistics skills donations, which the Foundation coordinates.
- Matching funds for United Way from The UPS Foundation, as described below in “Foundation Funding.”
- Charitable contributions and sponsorship support of non-profit conferences and events.

Total Charitable Contributions in 2012 totaled US\$97.5 million, compared to US\$93.5 million in 2011. These figures include in-kind donations valued at US\$2.6 million in 2012 and US\$2.7 million in 2011.

Total In-Kind Transportation Movements Global Operations

	2009	2010	2011	2012
Charitable Contributions in \$US	0.80M	1.90M	2.73M	2.60M

Total Charitable Contributions Allocations January 1-December 31, 2012

Program Area	Allocation of Dollars (US\$)
Charitable Contributions and Scholarships	7.2M
Corporate Grants	21.0M
In-Kind Services	2.6M
Internal Scholarship Programs	1.7M
Local Grants	9.5M
United Way Corporate Contribution	7.2M
United Way Employee Contribution (Active & Retired)	48.3M
Total	97.5M

Charitable Contributions include domestic and international sponsorships.
Corporate Grants include domestic and international “national” grants.
Internal Scholarships include James E. Casey and George D. Smith Scholarship Programs.
Local Grants include domestic and international local “community” grants.

UPS and United Way

EC1

The UPS Foundation manages UPS’s relationship with United Way and the UPS United Way employee campaign each year. On the strength of our employees’ generosity, UPS has lead corporate supporters in eight out of ten past years. The UPS Foundation contributes a relatively small portion of the total donation because it is authorized to match only 15 percent of employee donations each year. The combined contributions to United Way in 2012 includes US\$48.3 million from UPS employees and retirees and US\$7.2 million in match funds from The UPS Foundation, for a total contribution of US\$55.5 million. Since 1982, when UPS began its association with United Way, the aggregate total is more than US\$1.1 billion, more than any other company ever.

Total United Way Donations U.S., Mexico, and Canada

	2009	2010	2011	2012
Charitable Contributions in \$US	61.3M	56.1M	52.1M	55.5M

The UPS Foundation: Governance

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Policy and Responsibility

The UPS Foundation is a legally separate 501(c)(3) entity. Its headquarters are co-located with the headquarters of UPS in the United States. Within UPS, management responsibility for the Foundation rests with John McDevitt, Senior Vice President, Human Resources. Within the Foundation, the highest governing body is the Board of Trustees. Because UPS considers the Foundation's work to be a vital contribution to the company's sustainability, the Foundation's Board of Trustees includes the following UPS corporate officers:

- Chief Executive Officer D. Scott Davis
- Chief Operating Officer David Abney
- Chief Financial Officer Kurt Kuehn
- Chief Sales, Marketing and Strategy Officer Alan Gershenthorn
- UPS International President Dan Brutto
- Senior Vice President, Human Resources John McDevitt
- Senior Vice President, Communications and Brand Management Christine Owens
- Senior Vice President, Legal, Compliance, Audit and Public Affairs, General Counsel and Corporate Secretary Teri Plummer McClure

The Board of Trustees meets five times a year, with a mandatory quorum. Minutes of these meetings are signed by Trustees and kept on file. Meetings and other proceedings of The UPS Foundation are governed by its bylaws, which include a conflict of interest policy especially for Foundation employees and Trustees. Foundation bylaws are updated from time to time to reflect changing standards and practices in philanthropy and society. Beyond the bylaws, the Foundation and its trustees and employees are governed by the same documents, structures, and principles that govern UPS itself, including the Code of Business Conduct. (For more information on these documents, structures, and principles see "Appendix A: Corporate Governance" on [page 115](#).) The UPS Corporate Accounting department provides the accounting, finance, and tax expertise to maintain the financial stewardship and control of The UPS Foundation's fiscal and transactional operations. The UPS Corporate Legal Department provides legal counsel to The UPS Foundation as required or needed in its normal course of operation. When necessary, The UPS Foundation will retain external legal counsel for matters, which may arise from time to time.

Foundation Funding

One of the Board of Trustees' principal responsibilities is reviewing the funding level for The UPS Foundation, and making funding proposals to the UPS Board of Directors. The Board of Trustees also approves matching funds for employee pledges to United Way. In recent years, the Board has authorized The UPS Foundation to match 15 percent of employee United Way donations.

Grant-Making

Within the Foundation, grant-making authority is subject to strict limits and a defined approval process. For example, only the President of the Foundation can approve grants larger than US\$25,000, and grants larger than US\$50,000 require the approval of a Trustee. Before any grant can reach this level of approval, it must meet a number of other documented and established approval criteria as described below. Furthermore, we generally seek to place a UPS senior manager or executive on the Board of Trustees or major steering committee of organizations receiving substantial grants from The UPS Foundation. This ensures an additional level of oversight for our grant-making activity.

The Foundation manages global and national grant-making centrally at Foundation headquarters. Following its non-solicitation policy, the Foundation independently identifies candidate organizations for charitable donations, engages with those organizations to confirm their interest and qualifications, conducts a legal review for all international grants, and then presents recommendations to the Board of Trustees for review and approval. In 2012, the Foundation formalized the practice of requiring non-discrimination practices on the part of grant recipients.

Local grant-making starts with committees of UPS employees in local business units. The committees identify candidate organizations and then determine if they fulfill legal and technical requirements. In addition, local grant recipients must be able to show at least 50 hours of volunteer hours contributed by UPS employees before the grant is awarded. The committees present their nominations to local and regional managers, who review them to confirm that candidate organizations meet requirements, fit Foundation strategy, and respond to local or regional needs. In some cases, the strategic requirement may be eased somewhat in order to address local needs that are important to UPS employees in the community. Finally, the local grant proposal reaches The UPS Foundation, which conducts a third review.

The Foundation makes or renews grants to more than 4,400 non-profit organizations each year. Within the U.S., these are allocated geographically in rough proportion to census figures, which in turn correlate with concentrations of UPS employees. The UPS Foundation provides community investment grants to organizations based throughout the world. The allocation of these grants is based on a variety of factors including, but not limited to, community needs, alignment with The UPS Foundation focus areas and funding strategies, presence of UPS employees, other business interests, and available resources.

Training and Awareness

The UPS Foundation offers online training courses in community engagement for UPS managers. The courses are designed to strengthen understanding of UPS's community engagement strategy and why it is vital to the success and sustainability of the company.

Monitoring and Follow-Up

The Foundation's leadership maintains clear visibility of local grant-making, which is thoroughly and systematically documented throughout any philanthropic relationship. Applications and other documentation remain on file at all levels, so that all parties in the grant-making process can monitor expectations and results. In particular, the Foundation reviews a recipient's results and activities before renewing a grant. This applies equally to global philanthropic partners. In renewing existing grants or continuing multi-year grants, the Foundation assesses the results achieved with the funding provided. Thus The UPS Foundation can act effectively on the international stage while keeping in close touch with local activities around the world.

To further enhance monitoring and follow-up capabilities, The Foundation has brought increased attention and resources to generating quantitative metrics for community engagement efforts. This is a leading-edge activity for corporate philanthropy generally, because many of the presumed benefits of community engagement and philanthropic support have not traditionally been measured using quantifiable data.

Additional Contextual Information

Key Successes

We increased our Total Charitable Contributions compared to 2011. United Way donations by UPS employees and matching funds from The UPS Foundation totaled \$55.5 million (see [page 112](#)).

UPS employees donated 1.8 million volunteer hours to non-profit organizations in 2012, a new high (see [page 111](#)), and more than 1,400 UPS employees volunteered to become Sustainability Ambassadors within the company and in their communities.

We significantly deepened our engagement with non-profit grant recipients in the area of data reporting, particularly focusing on quantifying the benefits enabled by, and people assisted with, financial support from The UPS Foundation.

Work in Progress

The work of The UPS Foundation in grant-making and the work of volunteers in their communities is always in progress. The most notable new project that we began in 2012 and continue to implement in 2013 is our UPS Global Forestry Initiative, with a goal of planting more than a million trees on five continents between 2011 and 2013 (see [page 25](#)).

Appendix A— Corporate Governance

Board of Directors

The top governance body at UPS is the Board of Directors. As of June 2013, 12 of the 13 members are outside directors, as defined below. Director D. Scott Davis is Chairman of the Board and Chief Executive Officer (CEO) of UPS. The other three committees are composed entirely of outside directors. The Board and the committees perform annual self-evaluations.

The Board is composed of three women and ten men; all but one director are white; all directors but one are over 50 years of age. Diversity is one of the factors we take into consideration in placing new directors on the board.

Directors and Committee Assignments* *as of June 2013

Outside Directors	Audit	Compensation	Executive	Nominating and Corporate Governance
F. Duane Ackerman	—	Member	Member	Chair
Rod Atkins	Member			
Michael J. Burns	Member	—	—	—
Stuart Eizenstat	—	Member	—	Member
Michael L. Eskew	—	—	Member	—
Candace Kendle	Member	—	—	—
Ann M. Livermore	—	Member	—	—
Rudy Markham	Member	—	—	—
William R. Johnson	—	—	—	Member
Clark T. Randt Jr.	—	—	—	Member
Carol Tomé	Chair	—	—	—
Kevin Warsh	—	Member	—	—
Inside Directors				
D. Scott Davis	—	—	Chair	—

Committee charters are online at investors.ups.com.

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

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

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 10 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. The Management Committee is composed of eight men and two women; eight members are white and two are African-American.

Management Principles and Guidelines

Management at UPS is based on long-held principles and explicit guidelines. In very brief form, our management 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.

Our principles and guidelines are set forth in our Code of Business Conduct and our Policy Book. We treat these as living, evolving documents that reflect changes in our business, our international expansion, social trends, and technology. Currently, the Code of Business Conduct is translated into 16 languages. We completed a major distribution of new editions of the Code and the Policy Book in 2011, as well as a program to provide regular quarterly updates online. More information on our governance principles and guidelines is available on our website under “Investor Relations.”

Governance Processes

Corporate governance at UPS is assured by a set of robust and interrelated processes, including internal monitoring of their effectiveness. UPS full-time management employees complete comprehensive training on compliance and ethics programs every other year. In 2012, approximately 97 percent of UPS full-time management employees reviewed or received training on our updated Code of Business Conduct. 97 percent of management and non-management employees, whose job responsibilities include interacting with government officials in the U.S. and countries where we operate, have completed anti-corruption training. In addition, 42,146 full-time managers and specialists participated in our 2012 business ethics questionnaire. This questionnaire has the dual purpose of alerting our people of potential conflicts of interest and other governance issues while also identifying incidents or uncertainties that need to be addressed.

Our 24-hour employee “Help Line,” which allows employees to voice their ethical concerns anonymously, received 5,749 calls in 2012. We investigated all cases and took corrective or disciplinary action as appropriate, to address each substantiated concern. Extensive information on our governance processes is available on our website under “Investor Relations.”

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Sustainability Oversight by the Board

Each year we make publicly available on our website at investors.ups.com a Corporate Sustainability Report that showcases the aspirations, achievements, and challenges of our commitment to balancing the social, economic, and environmental aspects of our business. The Corporate Sustainability Report is submitted to members of the Board, which provides feedback and direction on the content and materiality of the Report. In addition, the Audit Committee has oversight on the third-party assurance and verification process of the report contents.

Our Board takes environmental and social issues seriously, and environmental and social risks are part of our comprehensive enterprise risk management program over which the board exercises risk management oversight responsibility. Our Chief Sustainability Officer regularly reports to the Board of Directors, including sustainability goals and performance. Sustainability is a key part of our strategy, and the Board actively considers environmental and social issues in connection with the Board’s involvement in UPS’s strategic planning process.

Appendix B—Statement of Greenhouse Gas Emissions*



*for the years ended
December 31, 2012 and 2011

GHG Performance				
Global CO ₂ e Emissions ('000 tonnes)	2012	2011	% change 11/12	2010
Scope 1	11,716	11,981	-2.2%	11,713
Scope 2	823	827*	-0.5%	831*
Gross Scope 1 & 2	12,539	12,808	-2.1%	12,544
Scope 3	8,979	8,831	1.7%	9,865
Gross Scope 1, 2 & 3	21,518	21,639	-0.6%	22,409
Voluntary carbon offsets for Scope 1 carbon neutral service (retired)	(36.0)	(23.5)	—	(2.7)
Voluntary carbon offsets for Scope 2 carbon neutral service (retired)	(3.2)	(1.7)	—	(0.2)
Voluntary carbon offsets for Scope 3 carbon neutral service (retired)	(4.4)	(3.4)	—	(0.3)
Net Global CO₂e Emissions	21,474	21,610	—	22,405
Biomass CO ₂ Emissions Not Included in Above Totals ('000 tonnes)	2012	2011		
Mobile Combustion – Biomass CO ₂ (e.g. ethanol, bio-diesel)	38	Not Reported		
Stationary Combustion – Biomass CO ₂	0	Not Reported		
Total Biomass CO₂ (reported separately as per GHG Protocol)	38	Not Reported		

* Recalculated 2010 and 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

Notes to Statement of GHG Emissions for the years ended December 31, 2012 and 2011

Note 1: GHG Reporting Policies

The statement of greenhouse gas (GHG) emissions was prepared based on a calendar reporting year that is the same as United Parcel Service, Inc. (UPS or the Company) financial reporting period.

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

Scope 3 GHG emissions information was prepared in accordance with the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Value Chain (Scope 3), Accounting and Reporting Standard. Scope 3 emissions for 2012 included seven of the fifteen possible Scope 3 categories whereas 2011 included six of the fifteen categories.

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

A summary of the key disclosure and measurement policies is set out below, together with an explanation of where changes have been made from policies in the previous year.

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

Base year GHG emissions

The GHG base year applies to Scope 1 and Scope 2 emissions as set out above and has been prepared in accordance with the GHG reporting policies set out here.

The base year GHG emissions were set as of 2010 as this was the first year the organization had assured the greenhouse gas emissions.

A base year for Scope 3 emission has not been set, since this is the third year of reporting as per the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. A base year for Scope 3 will be set in the near future.

Greenhouse Gases

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

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

Gas	Global Warming Potential (GWP)	Reference
Carbon Dioxide (CO ₂)	1	Second Assessment Report (SAR) published by Intergovernmental Panel on Climate Change.
Methane (CH ₄)	21	
Nitrous Oxide (N ₂ O)	310	
HFC-134a	1300	

GHG Reporting Scope and Boundary

The Statement of Greenhouse Gas Emissions includes Scope 1 (direct), Scope 2 and Scope 3 (indirect) emissions that were reported for operations within the organizational boundary described below. GHG emissions have been reported from the entities where the Company has operational control (as defined by the GHG Protocol). GHG emissions that fall within the organizational and operational boundaries were reported for the global operations described below. For 2012, UPS is reporting on the following seven of the fifteen Scope 3 categories described by the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard: fuel and energy related activities, business travel, waste generated in operations, employee commuting, transportation and distribution, end-of-life treatment of sold products and franchises. End-of-life treatment of sold products is a new disclosure for 2012. In addition, we expanded the waste generated in operations category to include all waste disposal methods due to improvements in data collection and emission factor calculations in 2012 that were not in place in 2011.

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

The U.S. business consists of air and ground delivery of small packages—up to 150 pounds in weight—and letters to and from all 50 states. It also provides guaranteed, time-definite delivery of certain heavyweight packages.

The International Package segment provides air and ground delivery of small packages and letters to more than 220 countries and territories around the world.

- Europe is our largest region outside the United States—accounting for approximately half of our international revenue. In Europe, we provide both express and domestic service, much like the service portfolio we offer in the U.S., and based on the same integrated network model.
- Through more than two dozen alliances with Asian delivery companies that supplement company-owned operations, we serve more than 40 Asia-Pacific countries and territories.

- Our Canadian operations include both domestic and import/export capabilities. We deliver to all addresses throughout Canada.

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

- We focus on supply chain optimization, freight forwarding, international trade and brokerage services for our customers worldwide, which include a broad range of transportation solutions including air, ocean and ground freight.
- UPS Freight is a Less-than-Truck-Load (LTL) service, which offers a full range of regional, inter-regional and long-haul LTL capabilities in all 50 states, Canada, Puerto Rico, Guam, the Virgin Islands and Mexico.

No acquisitions or divestments occurred in 2012 that materially affect GHG emissions.

GHG Emission Factors

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

Published emission factors were used to calculate emissions from operations.

Emissions Source	Emission Factor Employed
Scope 1 – Global	GHG Protocol Emission Factors from Cross-Sector Tools, Version 1.3 (Aug 2012)
Scope 2 – U.S.	US Environmental Protection Agency eGRID2012
Scope 2 – Canada	Environment Canada, Electricity Intensity Tables, 2009
Scope 2 – Other	GHG Protocol Emission Factors from Cross-Sector Tools, Version 1.3 (Aug 2012)
Scope 3 – Global	Category 4, 6, 7, 14: GHG Protocol Emission Factors from Cross-Sector Tools Version 1.3 (Aug 2012)
	Category 3: CEN/TC 320/ WG 10 Methodology and Carbon Trust Footprint Expert, Ver 3.3
	Category 4: EPA SmartWay Carrier Rankings and Emission Rates (railroad only)
	Category 5 & 12: 2012 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting

Uncertainty

As calculations of GHG emissions contain uncertainty for a variety of reasons, we conducted an uncertainty analysis to quantify estimates of the likely or perceived difference between the reported GHG emissions and a qualitative description of the likely causes of the difference such as uncertainty in data inputs and calculation methodologies; uncertainty associated with mathematical equations used to characterize the relationship between various parameters and emission processes; and uncertainty associated with quantifying the parameters used as inputs to estimation models. UPS continues to improve internal processes for primary data collection to reduce uncertainty in its GHG inventory reporting for Scopes 1 and 2. UPS continues to work with the third parties responsible for providing the data necessary to calculate Scope 3 emissions and will continue to work on improving the data management and the methodologies used to estimate these emissions to reduce the uncertainty in its GHG inventory reporting. Using the GHG Protocol “Measurement and Estimation Uncertainty of GHG Emissions” guidance and analyzing the collected data through Monte Carlo simulations by using the @Risk statistical analysis software at 95% confidence interval, we are able to estimate the uncertainty for our 2012 GHG inventory as follows:

Methodology

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

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

Scope	Uncertainty	Main Source of Uncertainty	Comments
Scope 1	+/- 1%	International Operations	U.S Operations (Small Package, Supply Chain & Freight) and UPS Airlines are our largest source of Scope 1 emissions and represent 97% of the total Scope 1 emissions. Well-established processes are in place to capture the primary data for these sources. International Operations represent 3% of the total Scope 1 emissions.
Scope 2	+/- 2%	International Operations	U.S Operations (Small Package, Supply Chain & Freight) are our largest source of Scope 2 emissions representing 89% of the total Scope 2 emissions. Well-established processes are in place to capture the primary data for these sources. International Operations represent 11% of the total Scope 2 emissions.
Scope 3	+/- 8%	Use of Secondary Data	For 2012, UPS is reporting on seven of the fifteen Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. Calculations for Scope 3 use various sources of secondary data since primary data is unavailable. Examples of the type of secondary data used vary from estimated miles driven, number of packages picked-up/delivered to estimated shipment information (weight and distance per shipment).

Note 2 – Carbon Offset Purchases from UPS carbon neutral product for the years ended December 31, 2012 and 2011

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

2012 Carbon Offset Purchases from UPS Carbon Neutral Product				
Project Name	Project Location	Offset Standard	Project Type	Metric Tonnes Retired
Garcia River Forest	U.S. (California)	CAR	Forestation	1,397
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS	Wastewater Methane Destruction	22,658
Suzhou Qizi Mountain Landfill Gas Recovery Project	China	Gold	Landfill Gas Destruction	5,202
Big River and Salmon Creek Forests	U.S. (California)	CAR	Forestation	10,000
Kasigau Corridor	Kenya	VCS	Forestation	4,318
2012 Total Offsets				43,575
2011 Carbon Offset Purchases from UPS Carbon Neutral Product				
Project Name	Project Location	Offset Standard	Project Type	Metric Tonnes Retired
Garcia River Forest	U.S. (California)	CAR	Forestation	13,603
Chol Charoen Group Wastewater Treatment with Biogas System 1 (Cholburi)	Thailand	VCS	Wastewater Methane Destruction	5,000
Mamak Landfill Waste Management Project	Turkey	Gold	Landfill Gas Destruction	5,000
Dalian Maoyingzi Landfill Gas Recovery for Power Generation Project	China	VCS	Landfill Gas Destruction	5,000
Curva de Rodas and La Pradera Landfill Gas Management Project	Colombia	VCS	Landfill Gas Destruction	89
2011 Total Offsets				28,692

Note 3 – Emissions by Business Unit for the years ended December 31, 2012 and 2011

2012 by Business Unit <i>(arrows are relative to 2011 figures)</i>				
Global CO ₂ e Emissions ('000 tonnes)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Scope 1	6,543 ↓	4,266 ↓	907 ↓	11,716 ↓
Scope 2	621 ↑	64 ↓	138 ↓	823 ↓
Total Scope 1 & 2	7,164 ↓	4,330 ↓	1,045 ↓	12,539 ↓
Scope 3	2,702 ↑	1,826 ↓	4,451 ↑	8,979 ↑
Total Scope 1, 2, and 3	9,866	6,156	5,496	21,518
2011 by Business Unit				
Global CO ₂ e Emissions ('000 tonnes)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Scope 1	6,638	4,372	971	11,981
Scope 2	617*	65*	145*	827*
Total Scope 1 & 2	7,255	4,437	1,116	12,808
Scope 3	2,654	1,850	4,327	8,831
Total Scope 1, 2, and 3	9,909	6,287	5,443	21,639

* Recalculated 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

Note 4 – CO₂e Intensity for the years ended December 31, 2012 and 2011**2012 CO₂e Intensity***(arrows are relative to 2011 figures)*

Global CO ₂ e ('000 tonnes/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Revenue in millions	\$32,856	\$12,124	\$9,147	\$54,127
Scope 1	0.199 ↓	0.352 ↓	0.099 ↓	0.217 ↓
Scope 2	0.019 ↔	0.005 ↔	0.015 ↓	0.015 ↓
Total Scope 1 & 2	0.218 ↓	0.357 ↓	0.114 ↓	0.232 ↓
Scope 3	0.082 ↓	0.151 ↔	0.487 ↑	0.166 ↓
Total Scope 1, 2, and 3	0.300	0.508	0.601	0.398

2011 CO₂e Intensity

Global CO ₂ e ('000 tonnes/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Revenue in millions	\$31,717	\$12,249	\$9,139	\$53,105
Scope 1	0.209	0.357	0.106	0.226
Scope 2	0.019*	0.005*	0.016*	0.016*
Total Scope 1 & 2	0.228	0.362	0.122	0.242
Scope 3	0.084	0.151	0.474	0.167
Total Scope 1, 2, and 3	0.312	0.513	0.596	0.409

* Recalculated 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

Note 5 – Scope 1 and Scope 2 Emissions by Source for the years ended December 31, 2012 and 2011**Emissions by Source**

Global CO ₂ e Emissions ('000 tonnes)	2012	2012 Percent to Total	2011	2011 Percent to Total
Mobile				
Jet-A	7,203	57.5%	7,296	57.0%
Diesel	3,687	29.4%	3,860	30.0%
Gasoline	579	4.6%	547	4.3%
CNG	11	0.1%	12	0.1%
Propane/LPG	41	0.3%	37	0.3%
LNG	5	0.0%	0.4	0.0%
HFC's (fugitive)	7	0.1%	6.6	0.1%
Total	11,533	92.0%	11,759	91.8%
Stationary				
Natural Gas	166	1.3%	198	1.5%
Heating Oil	5	0.0%	10	0.1%
Propane	12	0.1%	14	0.1%
Electricity	823	6.6%	827*	6.5%*
Total	1,006	8.0%	1,049	8.2%*
Total Mobile and Stationary	12,539	100%	12,808	100%

* Recalculated 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

Note 6 – Emissions by Greenhouse Gas Scope and Type for the years ended December 31, 2012 and 2011**2012 Emissions by Greenhouse Gas Scope and Type**

2012 Global CO ₂ e Emissions ('000 tonnes)	Carbon Dioxide (CO ₂)	Methane (CH ₄)	Nitrous Oxide (N ₂ O)	HFCs
Scope 1	11,615	6	88	6.6
Scope 2	819	0.4	3	n/a
Scope 3	8,893	8	79	n/a
Total	21,327	14.4	170	6.6

2011 Emissions by Greenhouse Gas Scope and Type

2011 Global CO ₂ e Emissions ('000 tonnes)	Carbon Dioxide (CO ₂)	Methane (CH ₄)	Nitrous Oxide (N ₂ O)	HFCs
Scope 1	11,881	6	87	6.6
Scope 2	823*	0.4*	4*	n/a
Scope 3	8,742	8	80	n/a
Total	21,446	14.4	171	6.6

* Recalculated 2011 Scope 2 GHG emissions using updated emission factors enabling the ability to better compare results over time.

Note 7 – Scope 3 Emissions by Source for the years ended December 31, 2012 and 2011

Emissions by Source			
Global CO₂e Emissions ('000 tonnes)		2012	2011
Upstream			
1	Purchased Goods & Services	Not reported	Not reported
2	Capital Goods	Not reported	Not reported
3	Fuel & Energy Related (not incl. Scope 1 & 2)	1,486	1,451
	Jet-A (well to pump)	790	800
	Diesel (well to pump)	297	311
	Gasoline (well to pump)	105	100
	CNG (well to pump)	3	3
	Propane/LNG (well to pump)	7	7
	LNG (well to pump)	1	0
	Natural Gas (stationary)	48	58
	Heating Oil (stationary)	0	0
	Propane (stationary)	2	2
	Electricity (T&D losses/generation of)	233	170
4	Transportation & Distribution	5,668	5,552
	Subcontracted Air	3,606	3,251
	Subcontracted Ground	1,140	1,411
	Subcontracted Rail	375	339
	Subcontracted Ocean	547	551
5	Waste Generated in Operations	15	22
	Landfilled	14	22
	Incinerated	0	Not reported
	Recovery	0	Not reported
	Recycled	1	Not reported
6	Business Travel	82	85
	Business travel – Air	34	39
	Business travel – Rail	0	0
	Business travel – Car Rental	13	14
	Business travel – Personnel Vehicle	35	32
7	Employee Commuting	1,668	1,673
	U.S. Domestic Package	1,231	1,233
	International Package	314	311
	Global Supply Chain & Freight	123	129
8	Leased Assets	n/a	n/a

Emissions by Source			
Global CO₂e Emissions ('000 tonnes)		2012	2011
Downstream			
9	Transportation & Distribution	n/a	n/a
10	Processing of Sold Products	n/a	n/a
11	Use of Sold Products	n/a	n/a
12	End-of-Life Treatment of Sold Products	6	Not reported
	Landfilled	6	Not reported
	Recycled	0	Not reported
13	Leased Assets	Not reported	Not reported
14	Franchises	54	48
	UPS Stores – Electricity	47	42
	UPS Stores – Natural Gas	7	6
15	Investments	Not reported	Not reported
Total Scope 3 Emissions		8,979	8,831

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

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

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

Note 9 - Operational Boundary – Detailed Description Scope 3

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS Scope & Boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 Emissions				
1. Purchased Goods & Services	Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2 – 8	All upstream (cradle-to-gate) emissions of purchased goods and services	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	n/a
2. Capital Goods	Extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year	All upstream (cradle-to-gate) emissions of purchased capital goods	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	n/a
3. Fuel and Energy Related Activities not Included in Scope 1 or 2	<p>Extraction, production, and transportation of fuels and energy purchased or acquired by the reporting company in the reporting year, not already accounted for in Scope 1 or Scope 2, including:</p> <p>a. Upstream emissions of purchased fuels (extraction, production, and transportation of fuels consumed by the reporting company)</p> <p>b. Upstream emissions of purchased electricity (extraction, production, and transportation of fuels consumed in the generation of electricity, steam, heating, and cooling consumed by the reporting company)</p> <p>c. Transmission and distribution (T&D) losses (generation of electricity, steam, heating and cooling that is consumed (i.e., lost) in a T&D system) – reported by end user</p> <p>d. Generation of purchased electricity that is sold to end users (generation of electricity, steam, heating, and cooling that is purchased by the reporting company and sold to end users) reported by utility company or energy retailer only</p>	<p>a. For upstream emissions of purchased fuels: All upstream (cradle-to-gate) emissions of purchased fuels (from raw material extraction up to the point of, but excluding combustion)</p> <p>b. For upstream emissions of purchased electricity: All upstream (cradle-to-gate) emissions of purchased fuels (from raw material extraction up to the point of, but excluding, combustion by a power generator)</p> <p>c. For T&D losses: All upstream (cradle-to-gate) emissions of energy consumed in a T&D system, including emissions from combustion</p> <p>d. For generation of purchased electricity that is sold to end users: Emissions from the generation of purchased energy</p>	<p>Includes the upstream (well-to-pump) emissions from raw material extraction up to the point of (but excluding) combustion for the following global fuel sources: Jet-A, Diesel, Gasoline, CNG, LPG, LNG, natural gas, heating oil and propane</p> <p>Includes the upstream emissions for the generation of purchased electricity and the transmission and distribution losses</p> <p>Exclusions: None</p>	100%

Continued on following page...

5

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS Scope & Boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 Emissions				
4. Transportation & Distribution (Upstream)	<p>Transportation and distribution of products purchased by the reporting company in the reporting year between a company's tier 1 suppliers and its own operations (in vehicles and facilities not owned or controlled by the reporting company)</p> <p>Transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics (e.g., of sold products), and transportation and distribution between a company's own facilities (in vehicles and facilities not owned or controlled by the reporting company)</p>	<p>The Scope 1 and Scope 2 emissions of transportation and distribution providers that occur during use of vehicles and facilities (e.g., from energy use)</p> <p>Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure</p>	<p>* This category is partially reported, only includes Scope 1 emissions from third party transportation companies</p> <p>The emissions from purchased transportation (air, ground, rail & ocean) for the pick-up, transportation and delivery of packages/freight for our global operations includes emissions associated with:</p> <p><u>U.S. Package Operations</u></p> <ul style="list-style-type: none"> • Packages moved by third parties via small feeder aircraft or leased jet aircraft • Packages transported by rail in the U.S. • Packages transported by third party carriers via tractor-trailers • Last-mile delivery of packages by the U.S. Postal Service • Packages picked up, transported and delivered by a third party carrier in Alaska <p><u>International Package Operations</u></p> <ul style="list-style-type: none"> • 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 • Packages transported across the U.K. Channel by third parties via railroad or ferry • Packages transported by rail in Canada <p><u>Global Supply Chain & Freight</u></p> <ul style="list-style-type: none"> • Supply Chain Solutions: Mobile fuels to transport, pick up and deliver freight/packages by other third parties via air transport (chartered aircraft, other small package delivery companies and commercial airlines) • Supply Chain Solutions: Ground transport for pickup and delivery of freight/packages for our global supply chain operations (tractor-trailers, other small package delivery companies and courier services) • Supply Chain Solutions: Purchased ocean transport for our global supply chain operations • UPS Freight Operations: Mobile fuels for third-party pick-up, transport and delivery of freight in the U.S. and Canada via various modes of transport which include tractor-trailers, railroads, agents for pickup and delivery of freight and ocean transport of freight, typically to Hawaii, Puerto Rico and Alaska <p>Exclusions: Does not include Scope 2 emissions from third party transportation companies. Does not include any optional Life Cycle Assessment (LCA) emissions. Source has been excluded due to lack of means to measure emission source</p>	100%*

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS Scope & Boundary)	% emissions calculated using data obtained from value chain partners
Upstream Scope 3 Emissions				
5. Waste Generated in Operations	Disposal and treatment of waste generated in the reporting company's operations in the reporting year (in facilities not owned or controlled by the reporting company)	The Scope 1 and Scope 2 emissions of waste management suppliers that occur during disposal or treatment Optional: Emissions from transportation of waste	* This category is partially reported Includes the emissions that occur for landfilled, incinerated, recovery and recycled waste streams in the U.S. Exclusions: Emissions associated wastes generated in operations outside of the U.S. Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source	100%*
6. Business Travel	Transportation of employees for business-related activities during the reporting year (in vehicles not owned or operated by the reporting company)	This category includes emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars Optional: Emissions from hotel stays	Includes the emissions that occur from air and rail travel, rental cars and the use of personnel vehicles for business-related activities for our global operations Exclusions: Does not include any optional life cycle emissions from hotel stays. Source has been excluded due to lack of means to measure emission source	100%
7. Employee Commuting	Transportation of employees between their homes and their worksites during the reporting year (in vehicles not owned or operated by the reporting company)	The Scope 1 and Scope 2 emissions of employees and transportation providers that occur during use of vehicles (e.g., from energy use) Optional: Emissions from employee teleworking	Includes the emissions that occur for the transportation of our employees between their homes and their workplace for our global operations Exclusions: Does not include any optional emissions from employee teleworking Source has been excluded due to lack of means to measure emission source	0%
8. Upstream Leased Assets	Operation of assets leased by the reporting company (lessee) in the reporting year and not included in Scope 1 and Scope 2 – reported by lessee	The Scope 1 and Scope 2 emissions of lessors that occur during the reporting company's operation of leased assets (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing leased assets	n/a - We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because upstream leased assets are included in our Scope 1 and 2 emissions	n/a

Continued on following page...

Scope and Category	Category Description (WRI Standard)	Minimum Boundary (WRI Standard)	Emissions Included/Excluded (UPS Scope & Boundary)	% emissions calculated using data obtained from value chain partners
Downstream Scope 3 Emissions				
9. Transportation & Distribution	Transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer (if not paid for by the reporting company), including retail and storage (in vehicles and facilities not owned or controlled by the reporting company)	The Scope 1 and Scope 2 emissions of transportation providers, distributors, and retailers that occur during use of vehicles and facilities (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing vehicles, facilities, or infrastructure	<i>Not Applicable</i> – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer a sold product. For our sold service, emissions from non-UPS vehicles are reported in category 4 because they are purchased directly by UPS	n/a
10. Processing of Sold Products	Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers)	The Scope 1 and Scope 2 emissions of downstream companies that occur during processing (e.g., from energy use)	<i>Not Applicable</i> – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product	n/a
11. Use of Sold Products	End use of goods and services sold by the reporting company in the reporting year	The direct use-phase emissions of sold products over their expected lifetime (i.e., the Scope 1 and Scope 2 emissions of end users that occur from the use of: products that directly consume energy (fuels or electricity) during use; fuels and feedstocks; and GHGs and products that contain or form GHGs that are emitted during use) Optional: The indirect use-phase emissions of sold products over their expected lifetime (i.e., emissions from the use of products that indirectly consume energy (fuels or electricity) during use)	<i>Not Applicable</i> – We do not report on this category since the category as described by the WRI Guidelines is not applicable to our business because UPS does not offer an intermediate sold product	n/a
12. End-of-Life Treatment of Sold Products	Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life	The Scope 1 and Scope 2 emissions of waste management companies that occur during disposal or treatment of sold products	Includes the global emissions that occur for landfilled and recycled waste from UPS branded packaging materials sold to customers Exclusions: None	100%
13. Downstream Leased Assets	Operation of assets owned by the reporting company (lessor) and leased to other entities in the reporting year, not included in Scope 1 and Scope 2 – reported by lessor	The Scope 1 and Scope 2 emissions of lessees that occur during operation of leased assets (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing leased assets	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	n/a
14. Franchises	Operation of franchises in the reporting year, not included in Scope 1 and Scope 2 – reported by franchisor	The Scope 1 and Scope 2 emissions of franchisees that occur during operation of franchises (e.g., from energy use) Optional: The life cycle emissions associated with manufacturing or constructing franchises	Estimated electricity and natural gas usage for over 4,700 UPS Stores serving the U.S., Canada and India Exclusions: Does not include any optional LCA emissions. Source has been excluded due to lack of means to measure emission source	0%
15. Investments	Operation of investments (including equity and debt investments and project finance) in the reporting year, not included in Scope 1 or Scope 2	The Scope 1 and Scope 2 emissions of the investee Optional: The Scope 3 emissions of the investee	Not reported by UPS this year. UPS intends to report on this category in the future. Source has been excluded due to lack of means to measure emission source	n/a

Independent Accounts' Examination Report

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

We have examined the accompanying Statement of Greenhouse Gas Emissions (“Statement of GHG Emissions”) of United Parcel Service, Inc. (the “Company”) for the years ended December 31, 2012, December 31, 2011, and December 31, 2010. The Company’s management is responsible for the Statement of GHG Emissions. Our responsibility is to express an opinion based on our examination.

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

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

As described in Notes 1 and 7, the Company is reporting on the following seven of the fifteen Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard: fuel and energy related activities, transportation and distribution, waste generated in operations, business travel, employee commuting, end-of-life treatment of sold products and franchises. As a result, Scope 3 emissions reported in the Statement of GHG Emissions do not represent a complete GHG emissions inventory of the Company for Scope 3.

In our opinion, the Statement of GHG Emissions referred to above for the years ended December 31, 2012, December 31, 2011, and December 30, 2010, is presented, in all material respects, in conformity with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard published by the World Business Council for Sustainable Development and the World Resources Institute.

DeBittu & Touche LLP

May 22, 2013

Appendix C—SGS Independent Verification Statement

SGS United Kingdom Limited (SGS) has been contracted by United Parcel Service General Service Co. (“UPS”) of 55 Glenlake Parkway, NE, Atlanta, Georgia 30328 for the independent third party verification of direct and indirect carbon dioxide equivalent emissions (CO₂e) as provided in their 2012 GHG Assertion dated 10/5/2013. Verification was conducted in accordance with ISO 14064-3.

Roles and responsibilities

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

It is SGS’ responsibility to express an independent GHG verification opinion on the emissions as provided in the UPS GHG Assertion for the period 01/01/2012 – 31/12/2012.

Title or description activities:

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

Scope 1 Emissions:

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

Scope 2 Emissions:

Electricity use in UPS controlled facilities

Scope 3 Emissions:

Category 3 Fuel and energy related

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

Category 4 Upstream transportation and distribution

- Subcontracted transportation including air, rail, ground and ocean

Category 5 Waste generated in operation

- Landfill
- Recycled
- Incinerated
- Recycled Waste Streams

Category 6 Business Travel

- Air
- Rail
- Car rental
- Personnel Vehicles

Category 7 Employee Commuting

Category 12 End-of-Life Treatment of sold products

- Landfilled, recycled

Category 14 Franchises

- UPS Stores – Electricity
- UPS Stores – Natural Gas

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

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

2011 and 2010 Scope 2

Please note that the Scope 2 electricity factors for 2011 and 2010 have been revised using updated emission factors to enable better comparisons over time.

Objectives

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

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

Criteria

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

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

Level of Assurance and Materiality

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

Scope

- Reporting period – 1st January to 31st December 2012
- Intended user of the Verification Statement:
UPS management, Carbon Disclosure Project, staff, stakeholders and general public.
- Location/boundary of the activities: worldwide
- Types of GHGs included: CO₂, CH₄, N₂O, HFCs
- Consolidation Approach: Operational Control

Conclusion

We planned and performed our work to obtain the information, explanations and evidence that we considered necessary to provide a reasonable level of assurance that the reported GHG emissions for the period are fairly stated.

We conducted our verification with regard to the GHG assertion of UPS which included assessment of GHG information system and monitoring and reporting methodology. This assessment included the collection of evidence supporting the reported data, and checking whether the provisions of the standard and methodology referenced in the verification criteria, were consistently and appropriately applied.

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

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

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

- The GHG inventory methodology applied by UPS is sound, valid and based on best practice
- The estimated annual emissions are accurate, complete, consistent, transparent and free of material error or omission in relation to the requirements of the calculation methodologies employed

UPS provided the GHG assertion based on the requirements of ISO14064-1: 2006. The GHG information for the period 1st January 2012 to 31st December 2012 disclosing emissions of 21,518 thousand metric tonnes of CO₂ equivalent are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

Emissions by scope are verified as follows:

- Scope 1: 11,716 thousand tonnes of CO₂e
- Scope 2: 823 thousand tonnes of CO₂e
- Scope 3: 8,979 thousand tonnes of CO₂e

In addition to the emissions reported above, UPS has included in its GHG assertion that it has partially offset its emissions through the purchase and retirement of voluntary carbon offsets of 43,575 tonnes of CO₂ equivalent, SGS has also verified that these credits have been retired and are from projects adhering to international quality standards. This verification is outside the scope of the ISO 14064-1:2006 inventory.



Jonathan Hall

On behalf of
SGS United Kingdom Limited
23rd May 2013

Appendix D—Initiatives to Reduce Greenhouse Gas Emissions and Reductions Achieved

EN6 EN18 EN26

2012 Carbon Intensity Emissions Reductions

Emissions Reduction Description: The following three metrics are the components of the UPS Transportation Intensity Index	Absolute CO ₂ e emission avoided in 2012 (metric tonnes)	2012 CO ₂ e Intensity	2011 CO ₂ e Intensity	Comments
U.S. Domestic Package: Absolute CO₂e Avoided (Ground operations only)	251,127*	2.47	2.63	
Contributing factors/initiatives: implementation of telematics, improved vehicle routing, conducting proactive maintenance on our vehicles, shifting travel to low-emission vehicles. See Ground Fleet Efficiencies, page 89 for more details.				1. Scope is U.S. Domestic Package ground movements 2. CO ₂ e Intensity factor expressed in lbs CO ₂ e per Package 3. Avoided Absolute CO ₂ e = (2011 CO ₂ e Intensity x 2012 # of packages) – (2012 CO ₂ e Intensity x 2012 # of packages)
Global UPS Airlines: Absolute CO₂e Avoided	65,365*	1.41	1.42	
Contributing factors/initiatives: miscellaneous initiatives including; lower flight speeds, computer -optimized flight plans, single engine taxi. See Success in Air Fleet Efficiencies, page 87 for more details.				1. Scope is UPS Airlines - Global Operations 2. CO ₂ e Intensity factor expressed in lbs CO ₂ e per Package 3. Avoided Absolute CO ₂ e = (2011 CO ₂ e Intensity x 2012 ATM) – (2012 CO ₂ e Intensity x 2012 ATM)
U.S. Supply Chain & Freight: Absolute CO₂e Avoided	75,424*	0.20	0.22	
Contributing factors/initiatives: implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum. See Ground Fleet Efficiencies, page 89 for more details.				1. Scope is UPS Freight LTL ground movements 2. CO ₂ e Intensity factor expressed in lbs CO ₂ e per lb of freight 3. Avoided Absolute CO ₂ e = (2011 CO ₂ e Intensity x 2012 lbs of freight) – (2012 CO ₂ e Intensity x 2012 lbs of freight)
Total	391,916			

* Absolute CO₂e emissions avoided in 2012 are estimated from the intensity factor improvements from 2011 to 2012.

2012 Intermodal Shift Emissions Reductions

Emissions Reduction Description	Absolute CO ₂ e emission avoided in 2012 (metric tonnes)
Air to Ground Mode Shift (U.S. Package Operations) see page 86 for more details	2,356,407
Ground to Rail Mode Shift (U.S. Package Operations) see page 86 for more details	895,287
Total	3,251,694

* Absolute CO₂e emissions avoided in 2012, due to intermodal shifts that occur in the U.S. Domestic Package.



Appendix E—Enterprise Energy Performance

Energy Performance				
Global Energy ('000 GJs)	2012	2011	% Change 12/11	
Direct Energy	165,559	169,427	-2.3%	
Indirect Energy	5,701	5,713	-0.2%	
Total Energy	171,260	175,140	-2.2%	
2012 by Business Unit				
Global Energy ('000 GJs)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Direct Energy	92,544 ↓	60,303 ↓	12,711 ↓	165,559 ↓
Indirect Energy	4,116 ↑	556 ↓	1,029 ↓	5,701 ↓
Total Energy	96,660 ↓	60,859 ↓	13,740 ↓	171,260 ↓
2011 by Business Unit				
Global Energy ('000 GJs)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
Direct Energy	93,985	61,810	13,631	169,426
Indirect Energy	4,066	592	1,056	5,714
Total Energy	98,051	62,402	14,687	175,140
2012 Energy Intensity				
Global Energy ('000 GJs/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
\$M Revenue	\$32,856	\$12,124	\$9,147	\$54,127
Direct Energy	2.817 ↓	4.974 ↓	1.390 ↓	3.059 ↓
Indirect Energy	0.125 ↓	0.046 ↓	0.112 ↓	0.105 ↓
Total Energy	2.942 ↓	5.020 ↓	1.502 ↓	3.164 ↓
2011 Energy Intensity				
Global Energy ('000 GJs/\$M Revenue)	U.S. Domestic Package	International Package	Global Supply Chain & Freight	Totals
\$M Revenue	\$31,717	\$12,249	\$9,139	\$53,105
Direct Energy	2.963	5.046	1.492	3.191
Indirect Energy	0.128	0.048	0.116	0.107
Total Energy	3.091	5.094	1.608	3.298
Energy by Source				
Global Energy ('000 MWh & '000 GJs)	2012 MWhs	2012 GJs	Percent to Total Emissions 2012	2011 GJs
Direct Energy				
Jet-A	28,257	101,724	59.4%	103,024
Diesel	14,155	50,959	29.8%	53,358
Gasoline	2,333	8,398	4.9%	7,953
CNG	58	209	0.1%	221
Propane/LNG	179	643	0.4%	593
LNG	23	85	0.0%	11
Natural Gas	912	3,282	1.9%	3,907
Heating Oil	21	75	0.0%	138
Propane	51	184	0.1%	221
Subtotal – Direct Energy	45,989	165,559	96.7%	169,426
Indirect Energy				
Electricity	1,583	5,698	3.3%	5,713
Facility Solar Power Used	0.9	3.2	0.0%	0.7
Grand Total	47,573	171,260	100.0%	175,140

Energy Saved Due to Conservation and Efficiency Improvements

Energy Efficiency Improvements and Initiatives

Energy Saved Due to Conservation and Efficiency Improvements	Absolute Energy avoided in 2012 (gigajoules)	2012 Energy Intensity	2011 Energy Intensity	Comments
U.S. Domestic Package: Absolute Energy Avoided	4,113,528*	27.60	28.78	
Contributing factors/initiatives: implementation of telematics, improved vehicle routing, conducting proactive maintenance on our vehicles, shifting travel to low-emission vehicles. See Ground Fleet Efficiencies, page 89 for more details.				<ol style="list-style-type: none"> 1. Scope is U.S. Domestic Package Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 Packages. 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = (2011 Energy Intensity x 2012 # of packages) – (2012 Energy Intensity x 2012 # of packages)
International Package: Absolute Energy Avoided	1,388,516*	100.67	102.97	
Contributing factors/initiatives: miscellaneous initiatives in our airline, including; lower flight speeds, computer – optimized flight plans, single engine taxi. See Success in Air Fleet Efficiencies, page 87 for more details				<ol style="list-style-type: none"> 1. Scope is international Package Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 Packages. 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = (2011 Energy Intensity x 2012 # of packages) – (2012 Energy Intensity x 2012 # of packages)
Global Supply Chain & Freight: Absolute Energy Avoided	1,056,265*	1.26	1.35	
Contributing factors/initiatives: Implementation of telematics, improved dispatching of drivers, consolidation of shipments, loading efficiency in ways that keep miles driven to a minimum. See Ground Fleet Efficiencies, page 89 for more details.				<ol style="list-style-type: none"> 1. Scope is Global Supply Chain & Freight Operations 2. Energy Intensity factor expressed in gigajoules per 1,000 lbs of freight hauled. 3. Includes all direct and indirect energy usage for this specific business segment 4. Avoided Absolute Energy = (2011 Energy Intensity x 2012 lbs of freight) – (2012 Energy Intensity x 2012 lbs of freight)
Total	6,558,310*			

* Absolute energy avoided in 2012 were estimated from the energy intensity factor improvements from 2011 to 2012.

Initiatives to Reduce Indirect Energy Consumption

Initiatives to Reduce Indirect Energy Consumption	Number of commuters registered	Vehicle Miles Avoided	CO ₂ Emissions Reduced (metric tonnes)	
UPS Corporate Office Employee Commuting Program	962	2,830,869	1,565	
UPS corporate office employee commuting program includes: carpool, vanpool, bus, train, shuttle, bicycle, walk and no travel due to teleworking from home.				

Appendix F— GRI Index

Fully Reported	●
Partially Reported	◐
Not Reported	○
Not Applicable to UPS	n/a

This entire Report was prepared at the A+ level and independently assured by Deloitte & Touche LLP to achieve the level A+. GRI checked the Report and confirmed its adherence to the guidelines for A+ level reporting. All bold GRI Indicators (left column) are necessary to achieve the A+ level.

G3.1 Indicator	Description	2012 Response	
Strategy & Analysis			
1.1	Statement from the most senior decision-maker of the organization.	Letter from Chairman and CEO, p. 7	●
1.2	Description of key impacts, risks, and opportunities.	Letter from Chairman and CEO, p. 7 ; Company snapshot, p. 8 ; Innovation, p. 38 ; Risks and opportunities, p. 74	●
Organizational Profile			
2.1	Name of the organization.	Cover	●
2.2	Primary brands, products, and/or services.	Company snapshot, p. 8 ; Products and services, p. 76 ; 2012 Annual report on Form 10-K, p. 2-7; www.investors.ups.com	●
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Company snapshot, p. 8 ; 2012 Annual report on Form 10-K, p. 1-7; www.investors.ups.com	●
2.4	Location of organization's headquarters.	Appendix A, p. 115	●
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.	Company snapshot, p. 8 ; 2012 Annual report on Form 10-K, p. 1-7; www.investors.ups.com	●
2.6	Nature of ownership and legal form.	2012 Annual report on Form 10-K, p. 1; www.investors.ups.com	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2012 Annual report on Form 10-K, p. 1-7; www.investors.ups.com	●
2.8	Scale of the reporting organization.	Company snapshot, p. 8 ; 2012 Annual report on Form 10-K, p. 1-7; www.investors.ups.com	●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Company snapshot, p. 8 ; 2012 Annual report on Form 10-K, p. 57-59; www.investors.ups.com	●
2.10	Awards received in the reporting period.	Recognition, p. 23	●
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Profile, p. 61	●
3.2	Date of most recent previous report (if any).	2011	●
3.3	Reporting cycle (annual, biennial, etc.)	Annual	●
3.4	Contact point for questions regarding the report or its contents.	Contact us, p. 62	●
3.5	Process for defining report content.	Company snapshot, p. 8 ; Stakeholder engagement, p. 19 ; Profile, p. 61 ; Materiality and stakeholder engagement, p. 63 ; Scope and boundary, p. 118	●
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Company snapshot, p. 8 ; Profile, p. 61 ; Scope and boundary, p. 118	●
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Company snapshot, p. 8 ; Appendix B, p. 117 ; Scope and boundary, p. 118	●
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.	Company snapshot, p. 8 ; Scope and boundary, p. 118	●
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.	Report parameters, p. 61 ; Appendix B, p. 117	●
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).	Report parameters, p. 61	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Profile, p. 61 ; Scope 3 reporting, p. 69 ; Appendix B, p. 117	●
3.12	Table identifying the location of the Standard Disclosures in the report.	Key performance indicators, p. 67 ; Appendix B, p. 117	●

3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance policy, p. 61-62 ; Assurance statements; p. 128-130	●
Governance, Commitments, and Engagement			
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.	Appendix A, p. 115	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Appendix A, p. 115	●
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Appendix A, p. 115 ; www.investors.ups.com	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Appendix A, p. 115 ; www.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).	Appendix A, p. 115 ; 2013 Annual Proxy Statement, p. 34	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Operating responsibly, p. 79 ; Appendix A, p. 115	●
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Appendix A, p. 115 ; Nominating and corporate governance committee charter, www.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.	Operating responsibly, p. 79 ; Compliance, p. 96 ; Health and safety, p. 103-104 ; Diversity and equal opportunity, p. 106 ; Appendix A, p. 115	●
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.	Letter from Chairman and CEO, p. 7 ; Appendix A, p. 115 ; www.investors.ups.com	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Appendix A, p. 115 ; www.investors.ups.com	●
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Corporate governance guidelines at www.investors.ups.com	●
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Company snapshot, p. 8 ; External initiatives, p. 20, 63-64 ; Community, p. 54 ; Assurance policy; p. 61-62 ; Key performance indicators, p. 67 ; Policies, goals, performance, p. 74 ; Priorities and goals, p. 83 ; Safety, p. 103-104 ; Appendix B, p. 117	●
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.	External initiatives, p. 20, 63-64 ; Materiality analysis, p. 20, 63-64 ; UPS collaborates with world leaders in sustainability, p. 21 ; Safer communities, p. 111	●
4.14	List of stakeholder groups engaged by the organization.	Stakeholder engagement, p. 19-21 ; Materiality analysis, p. 20, 63 ; External initiatives, p. 20, 63-64 ; UPS collaborates with world leaders in sustainability, p. 21 ; Global forestry, p. 25-27 ; Earthwatch Institute, p. 26 ; Public policy, p. 29 ; American Red Cross, p. 32 ; Marketplace, p. 74	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	Letter from chairman and CEO, p. 7 ; Stakeholder engagement, p. 63 ; Materiality, p. 64-65 ; Appendix A, p. 115	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder engagement, p. 19-21 ; Materiality, p. 64 ; Appendix A, p. 115	●
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. 19-21 ; External initiatives, p. 20, 63-64 ; UPS collaborates with world leaders in sustainability, p. 21 ; Earthwatch institute, p. 26 ; Public policy, p. 29 ; American Red Cross, p. 32 ; Materiality, p. 64 ; Marketplace, p. 74 ; Appendix A, p. 115	●
Environment			
Disclosure on Management Approach			
DMA	Goals and Performance	Environment introduction, p. 81	●
DMA	Policy	Environment introduction, p. 81	●
DMA	Organizational responsibility	Environment introduction, p. 81	●

DMA	Training and awareness	Environment introduction, p. 81	●
DMA	Monitoring and follow up	Environment introduction, p. 81	●
	Materials		
EN1	Materials used by weight or volume.	Packaging Materials, p. 78	●
EN2	Percentage of materials used that are recycled input materials.	Packaging Materials, p. 78	●
	Energy		
EN3	Direct energy consumption by primary energy source.	Appendix E, p. 132	●
EN4	Indirect energy consumption by primary source.	Appendix E, p. 132	●
EN5	Energy saved due to conservation and efficiency improvements.	Emission reduction in air fleet operations, p. 88 ; Facilities, p. 92 ; Appendix E, p. 132	●
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Products and Services, p. 76 ; Environment, p. 81 ; Facilities, p. 92 ; Appendix D, p. 131	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Facilities, p. 92 ; Appendix E, p. 132	●
	Water		
EN8	Total water withdrawal by source.	Water, p. 93 ; UPS operates approximately 3,000 facilities in over 220 countries and territories, the total water withdrawal by source is not available. The overwhelming quantity of water for UPS facilities is sourced from municipal water supplies with a small number of locations supplied by ground water.	●
EN9	Water sources significantly affected by withdrawal of water.	Not reported – data not available	○
EN10	Percentage and total volume of water recycled and reused.	Not reported – data not available	○
	Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	We do not report on this because it is not material to our business. 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 to prevent negative impact.	○
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not material, see EN11	○
EN13	Habitats protected or restored.	Not reported – data not available	○
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Biodiversity, p. 97	●
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 – data not available	○
	Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	Global reporting on energy and emissions, p. 83 ; Appendix B, p. 117	●
EN17	Other relevant indirect greenhouse gas emissions by weight.	Global reporting on energy and emissions, p. 83 ; Appendix B, p. 117	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Greenhouse gas reduction strategy, p. 86 ; Emission reduction in air fleet operations, p. 88 ; Appendix D, p. 131	●
EN19	Emissions of ozone-depleting substances by weight.	We do not report on this issue. The GRI guidelines are not applicable to our business because we are a service company that does not manufacture a product.	n/a
EN20	NO _x , SO _x , and other significant air emissions by type and weight.	Key Performance Indicators, p. 67 ; Particulate emission reduction goals, the methodology used for calculations is based on default data.	●
EN21	Total water discharge by quality and destination.	We do not report on this issue. It is not material to our business. Discharge waters from UPS facilities are typically from domestic sewage and vehicle washing which are collected and sent to treatment per local compliance.	○
EN22	Total weight of waste by type and disposal method.	Waste management, p. 94-95	●
EN23	Total number and volume of significant spills.	Incidental spills, p. 96	●
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.	No hazardous waste generated within the U.S. is shipped outside of the U.S.; data not available for locations located outside of the U.S.	●

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 reported – data not available	○
	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	UPS carbon neutral shipping, p. 43 ; Products and services, p. 76 ; Greenhouse gas reduction strategy, p. 86 ; Appendix D, p. 131	●
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	We do not yet report on this because we have been unable to gather the data. Reclaiming UPS packaging is less of an environmental impact if reclaimed locally by the customer.	○
	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Agency environmental inspections, p. 96	●
	Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Update on UPS Scope 3 reporting, p. 69 ; Management approach, p. 81 ; Appendix B, p. 117	●
	Overall		
EN30	Total environmental protection expenditures and investments by type.	Not reported – data not available	○
	Human Rights		
	Disclosure on Management Approach		
DMA	Goals and Performance	Management approach, p. 101	●
DMA	Policy	Management approach, p. 101	●
DMA	Organizational responsibility	Management approach, p. 101	●
DMA	Training and awareness	Management approach, p. 101	●
DMA	Monitoring and follow up	Management approach, p. 101	●
	Investment and Procurement Policy		
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Zero	●
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Zero	●
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.	Investment and procurement practices, p. 108	●
	Non-discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken.	We do not report on this disclosure since the information is proprietary.	○
	Freedom of Association and Collective Bargaining		
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Freedom of association and collective bargaining, p. 108 ; We do not report fully on this information yet, as we have been unable to gather the data. UPS will evaluate additional processes in order to provide additional disclosure on this indicator in the future.	●
	Child Labor		
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Child labor; forced and compulsory labor, p. 108	●
	Forced and Compulsory Labor		
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Child labor; forced and compulsory labor, p. 108	●
	Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Security practices, p. 108	●
	Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Indigenous rights, p. 108	●

Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Zero	●
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	We do not report on this disclosure since the information is proprietary.	○
Labor Practices and Decent Work			
Disclosure on Management Approach			
DMA	Goals and Performance	Management approach, p. 101	●
DMA	Policy	Management approach, p. 101	●
DMA	Organizational responsibility	Management approach, p. 101	●
DMA	Training and awareness	Management approach, p. 101	●
DMA	Monitoring and follow up	Management approach, p. 101	●
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Employment statistics, p. 102	●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Employment statistics, p. 102 ; We currently do not report by age, gender, and region. We are developing the necessary reporting capability and intend to report this by 2014.	○
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Programs for whole-person health, p. 103	●
LA15	Return to work and retention rates after parental leave, by gender.	UPS offers maternity and paternity leave globally. Current data for US employees is based upon self-disclosure by gender for Pregnancy Leave, Bonding, Adoption, and Foster Care. 309 women and 1,588 men took parental leave in 2012. The return to work rate for parental leave in females is 92.7 percent (278 women) and for males is 97.2 percent (1,509 men). International data does not distinguish parental leave from other types of leave due to privacy and is not available. This is the first year reporting on this indicator, therefore the number of employees who returned to work, and were still employed twelve months after their return to work, is not available. However, we plan to report this information in the future.	○
Labor Management Relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Labor/management relations, p. 107	●
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	The collective bargaining agreement between UPS and the International Brotherhood of Teamsters, which represents the majority of our non-management employees, 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. Other work councils in non-U.S. markets have similar notification requires that are governed by local law and/or local agreement terms.	●
Occupational Health and Safety			
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.	Maintaining a safety culture company-wide, p. 103	●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Key performance indicators, p. 67 ; Maintaining a safety culture company-wide, p. 103 ; We currently do not report by gender and region globally. We are developing the capability to report more information by 2014. We do not report fully on this information yet, as we have been unable to gather the data. UPS will evaluate additional processes in order to provide additional disclosure on this indicator in the future.	○
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Programs for whole-person health, p. 103 ; Training, education & development, p. 105	●
LA9	Health and safety topics covered in formal agreements with trade unions.	Labor/management relations, p. 107	●
Training and Education			
LA10	Average hours of training per year per employee by gender, and by employee category.	In 2012, the average number of training hours management received per employee by gender was 29.95 (male) and 23.59 (female). The average number of training hours non-management employees received by gender was 14.47 (male) and 9.27 (female).	●

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Training, education and development, p. 105	●
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Development, p. 105	●
Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Employee statistics, p. 102 ; Diversity and equal opportunity, p. 106 ; Appendix A, p. 115	●
Equal Remuneration for Women and Men			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	We do not report on this disclosure since the information is proprietary.	○
Society			
Disclosure on Management Approach			
DMA	Goals and Performance	Management approach, p. 101 ; The UPS Foundation p. 110	●
DMA	Policy	Management approach, p. 101 ; The UPS Foundation p. 110	●
DMA	Organizational responsibility	Management approach, p. 101 ; The UPS Foundation p. 110	●
DMA	Training and awareness	The UPS Foundation p. 110	●
DMA	Monitoring and follow up	Management approach, p. 101 ; The UPS Foundation p. 110	●
Local Communities			
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	The UPS Foundation, p. 110 ; The UPS Foundation – Governance, p. 113 ; We plan to report additional corporate responsibility metrics in 2014.	●
S09	Operations with significant potential or actual negative impacts on local communities.	We do not report on this item because it is not material to our organization as described in our Materiality Matrix Analysis	○
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	We do not report on this item because it is not material to our organization as described in our Materiality Matrix Analysis.	○
Corruption			
S02	Percentage and total number of business units analyzed for risks related to corruption.	Risk analysis and training, p. 79	●
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	Risk analysis and training, p. 79 ; Appendix A, p. 116	●
S04	Actions taken in response to incidents of corruption.	Corruption, p. 80	●
Public Policy			
S05	Public policy positions and participation in public policy development and lobbying.	Public policy engagement, p. 29	●
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	In 2012, the UPS Political Action Committee donated approximately US\$2.2 million in the US to candidates at the federal, state and local levels. UPS considers additional disclosures to be proprietary.	●
Anti-Competative Behavior			
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	2012 Annual report on Form 10-K, p. 44-46; www.investors.ups.com	●
Compliance			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Compliance, p. 80	●
Product Responsibility			
Disclosure on Management Approach			
DMA	Goals and Performance	Policy, goals, performance, p. 74	●
DMA	Policy	Policy, goals, performance, p. 74	●
DMA	Organizational responsibility	Management approach, p. 73	●
DMA	Training and awareness	Products and services, p. 76	●
DMA	Monitoring and follow up	Products and services, p. 76	●

Customer Health and Safety			
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.	We do not report on this item because it is not applicable as we do not manufacture products.	○
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	We do not report on this item because it is not applicable as we do not manufacture products.	○
Product and Service Labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	We do not report on this item because it is not applicable as we do not manufacture products.	○
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	UPS is not aware of any allegations of non compliance with regulations regarding product and service information and labeling in 2012 from any government agency in the U.S. responsible for oversight of this issue.	●
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Products and services, p. 76	●
Marketing Communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	We diligently review all materials that are publicly released by UPS to confirm that information we provide is factual and appropriate. Additionally, we require that any company wishing to use our logo or information about our company or services submit a sample of the usage for us to review.	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	UPS is not aware of any allegations of non compliance with regulations regarding marketing communications including advertising, promotion and sponsorship in 2012 from any government agency in the U.S. responsible for oversight of this issue.	●
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not reported	○
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	2012 Annual report, Form 10-K, p. 86-87; www.investors.ups.com	●
Economic			
Disclosure on Management Approach			
DMA	Goals and Performance	Management approach, p. 73	●
DMA	Policy	Management approach, p. 73	●
DMA	Key successes and shortcomings	Management approach, p. 73	●
Economic Performance			
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.	Company snapshot, p. 8 ; Economic benefit, p. 74	●
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	From vision 2050 to action 2020, p. 30 ; Risks and opportunities related to climate change, p. 74 ; 2012 Annual report on Form 10-K, p. 13; www.investors.ups.com	●
EC3	Coverage of the organization's defined benefit plan obligations.	Policy, goals, performance, p. 74 ; 2012 Annual report on Form 10-K, p. 68; www.investors.ups.com	●
EC4	Significant financial assistance received from government.	Policy, goals, performance, p. 74	●
Market Presence			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	We do not report on this disclosure since the information is proprietary.	○
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Indirect benefits, p. 75 ; Because UPS operates in more than 220 countries and territories, the definition of "local" will vary and is not comprehensively tracked in every location. In the U.S., 16 percent of our procurement purchases were spent on locally-based suppliers.	●

EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Indirect benefits, p. 75 ; Promote from within, p. 106 ; We strive to recruit, train and develop people from the local community, both in the U.S. and in our international locations. Among employees overall, less than half of one percent of our managers, including senior managers come from outside the country where they worked in 2012.	●
Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Making the world more sustainable, p. 9 ; Commitments to external initiatives, p. 20 ; Contributions to society, p. 110 ; No community needs assessments were conducted	●
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Commitments to external initiatives, p. 20 ; Millions of trees, p. 25 ; Indirect benefits, p. 75 ; The UPS Foundation: strategic areas, p. 111	●
Logistics and Transportation			
LT1	Number of ships controlled by the reporting organization	Not applicable	n/a
LT2	Breakdown of fleet composition	Company snapshot, p. 8 ; Success in air fleet efficiency, p. 87	●
LT3	Description of policies and programs on the management of environmental impacts, including: initiatives on sustainable transportation (e.g., hybrid vehicles); modal shift; and route planning.	GHG strategy, p. 86 ; Ground fleet efficiency, p. 89	●
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency.	GHG strategy, p. 86 ; Facilities, p. 92	●
LT5	Description of initiatives to control urban air emissions in relation to road transport (e.g., use of alternative fuels, frequency of vehicle maintenance, driving styles, etc.).	GHG strategy, p. 86 ; Ground fleet efficiency, p. 89	●
LT6	Description of policies and programs implemented to manage the impacts of traffic congestion (e.g., promoting off-peak distribution, new inner city transport modes, percentage of delivery by modes of alternative transportation).	GHG strategy, p. 86 ; Ground fleet efficiency, p. 89	●
LT7	Description of policies and programs for noise management/abatement.	Success in air fleet efficiency, p. 87	●
LT8	Description of environmental impacts of the reporting organization's major transportation infrastructure assets (e.g., railways) and real estate. Report the results of environmental impact assessments.	Not reported	○
LT9	Description of policies and programs to determine working hours and rest hours, rest facilities, and leave for those driving and operating fleets.	Maintaining a safety culture company-wide, p. 103	●
LT10	Describe approaches to provision of facilities to enable mobile workers to maintain personal communications while working.	Not applicable	n/a
LT11	Description of policies and programs regarding substance abuse (e.g., training and campaigns).	Programs for whole-person health, p. 103	●
LT12	Number of road fatalities of drivers or third parties per million kilometers driven.	Maintaining a safety culture company-wide, p. 103	●
LT13	List the incidents when ships have been detained by port inspectors, including the following details:	Not applicable	n/a
LT14	Description of policies and programs for public access to mail services (e.g., distance to postal office and mail boxes).	Not applicable	n/a
LT15	Provision of logistics and transportation core competencies to deliver humanitarian needs locally and globally measured in terms of: e.g., tons carrying capacity; person months; expenditure, value (fair market terms), and in kind contributions in disaster preparedness and response.	Making the world more sustainable, p. 9 ; Total charitable contributions, p. 112	●
LT16	Criteria for selecting recruitment and placement services. State how these criteria relate to existing international standards such as the conventions of the International Labor Organization (ILO).	Policy & responsibility, p. 101	●
LT17	Describe measures in place to provide income security and employment continuity for workers employed/contracted repeatedly but not continuously.	Not reported	○

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