



Accelerating Sustainable Solutions

UPS 2019 Sustainability Progress Report

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About This Report

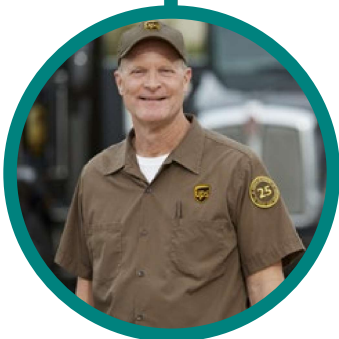
We are pleased to present UPS's 18th annual Corporate Sustainability Progress Report. Continuous improvement, leadership, and transparency have been hallmarks of our reporting through the years.

This Report shares stories of UPS's performance, initiatives, and engagements during the reporting period of calendar year 2019. The Progress Report is issued in conjunction with the Sustainability Accounting Standards Board (SASB) Report, as well as the GRI Content Index, which contains relevant data and information to meet the requirements of the Global Reporting Initiative (GRI) Standards Comprehensive level. The GRI Content Index and the SASB Report can be found at [ups.com/sustainability](https://www.ups.com/sustainability).

Our world is moving fast.



The pace of change in today's world is unlike anything we've experienced before, from technology that is shifting the way we live and work, to e-commerce that is redefining global trade. Amid evolving expectations of business, a changing climate, and challenges affecting every corner of the world, UPS is accelerating our efforts to create more sustainable solutions: introducing innovative logistics models for crowded cities, pioneering drone deliveries, investing in next-generation vehicles and route optimization technologies, and developing people to help incubate our next big ideas.





Sustainability at UPS

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David Abney
Chairman and Former CEO
UPS

CEO Message

The World Is Changing Fast. But UPS Is Faster.

As I write this letter for our annual Sustainability Report, it's difficult to think beyond the impact of the coronavirus pandemic on the economy, families, and communities around the world. Some suggest this isn't the right time to talk about environmental and societal issues, which may feel less urgent in the moment. But I think these conversations are critical—now more than ever. The crisis has sparked innovation, collaboration, and resilience I hope we apply to future global challenges.

UPS is considered an essential business in many countries, so we're doing our part to support global coronavirus response efforts, from helping customers realign supply chains and deliver critical supplies to providing funds and in-kind transportation to our humanitarian relief partners.

We couldn't support these efforts without the hard work and dedication of nearly 495,000 UPSers around the world. The safety of our people is top priority, and we are taking actions

“We will continue partnering with customers, governments, and nonprofits around the world so we all come back stronger and healthier from this crisis.”

to keep them safe, including enhancing cleaning procedures, providing protective equipment, and introducing an emergency paid leave program to help UPSers impacted by COVID-19.

During uncertain times, you can always count on UPSers to deliver. We will continue partnering with customers, governments, and nonprofits globally so we all come back stronger and healthier from this crisis.

This mindset of resiliency underpins everything we do at UPS, from helping communities recover from disasters to creating more sustainable practices that strengthen our business in a changing world.

Reflecting on Sustainability at UPS

It's amazing how much has changed since I joined the company as a part-time package loader so many years ago. We've expanded to international markets, launched UPS Airlines, and embraced innovation, from route optimization technology to drone deliveries.

We also developed our Rolling Laboratory, a fleet of more than 10,300 lower-emission vehicles, and invested \$1 billion in alternative vehicles, fuels, and infrastructure over the past decade. Knowing our customers are looking for ways to ship more with less impact, we were the first small package carrier to offer a carbon neutral shipping option in 2009. The UPS

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Business Resource Groups, introduced in 2006, have advanced diversity and inclusion across the company, with nearly 200 chapters worldwide. And in 2016, we set new goals to address our environmental impacts, advance employee safety programs, and strengthen our communities.

Advancing Sustainability in 2019

I'm grateful to have had the opportunity to champion UPS's sustainability initiatives over the years. Today, the pace of change is accelerating, and UPS continues to adapt to stay ahead. In 2019, we advanced sustainability in a number of ways, including:

- Achieving four of our 2020 sustainability goals one year ahead of schedule, including donating \$117 million in charitable contributions; volunteering 20 million hours; planting 15 million trees; and reducing auto accident frequency by 3 percent
- Making the U.S.'s largest-ever investment in renewable natural gas, which will reduce emissions by more than 1 million metric tons
- Adding more than 6,000 compressed natural gas vehicles to our fleet
- Launching UPS Flight Forward™, one of the first U.S. Federal Aviation Administration-certified drone airlines
- Introducing the annual Diversity & Inclusion Horizon Award to recognize business units that embrace diversity and inclusion to drive innovation
- Investing more than \$1 billion in training and development programs to help employees build their skills and knowledge

While we're on track to reach our goal to have 25 percent of vehicles purchased in 2020 run on alternative fuel or advanced technology, more work is needed to achieve our 2025 goals to reduce absolute emissions and use more renewable energy across our operations. We are accelerating efforts to advance these goals, including a recent investment in the U.K.-based startup Arrival, which will expand our fleet to include an additional 10,000 all-electric vehicles.

Preparing for the Future

I am thrilled that Carol Tomé, a member of the UPS Board of Directors since 2003, is stepping up as UPS's 12th CEO and I will become Executive Chairman. I will retire from the UPS Board on September 30, 2020. To ensure a smooth transition and successful peak season, I will remain as a special consultant through the end of 2020 and then retire

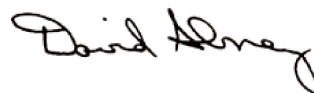


“During my time as a UPS Board member, I have admired the vision and commitment that put UPS on a path to creating a more sustainable company—and world. I thank David for his many years of dedicated leadership at UPS, including being a steadfast champion for sustainability. I look forward to building on this foundation as we create the next generation of sustainability at UPS.”

Carol Tomé
UPS Chief Executive Officer

after 46 years of service. On September 30, William Johnson, UPS Lead Independent Director, will assume the role of Non-Executive Chairman. With her experience, leadership and deep knowledge of UPS, Carol is well-equipped to take this great company to new heights.

As we face an urgent global pandemic, and continue to address prevailing challenges such as climate change, UPS remains a force for positive impact. On countless occasions, UPS has met challenges through innovation and collaboration. I am confident we will continue to deliver solutions the world needs.



David Abney
Chairman and Former CEO

UPS's Roadmap for Business Growth

As part of UPS's enterprise-wide strategy, we are focused on four Strategic Growth Imperatives to drive business growth. These initiatives align with our sustainability priorities and include focused investments in areas that will create a more inclusive global economy. Here's how accomplishments in 2019 are generating value not only for our business, but for all of our stakeholders:

Small- and Medium-Sized Businesses (SMBs)

In the U.S. alone, SMBs account for 95 percent of all businesses and approximately 50 percent of the GDP. When we scale, simplify, and customize services to meet their unique needs, we help the economy grow.

What We're Doing

- Offering UPS My Choice® service for business, which provides proactive, user-friendly package monitoring and tracking for SMBs ([Page 16](#))
- Introducing UPS Smart Pickup™ service free of charge to help SMBs simplify shipping with automated pickup requests and instant discounts ([Page 21](#))
- Launching the UPS Digital Access Program, which enables SMBs to provide the same high-quality customer experience as larger e-commerce companies

Global B2B and B2C E-Commerce

UPS is the e-commerce shipper of choice, which is why we're investing in technologies that improve customer choice and convenience, while also reducing environmental impacts. People have grown accustomed to the conveniences of e-commerce, but may not always think about the environmental impacts it creates: more delivery stops, more fuel, more emissions.

What We're Doing

- Expanding the UPS Access Point® network and UPS My Choice® solutions, which reduce missed deliveries ([Page 16](#))
- Deploying last-mile solutions, such as electric vehicles, eBikes, and delivery lockers ([Page 18](#))
- Investing in state-of-the-art route optimization and navigation technology that avoids 100,000 metric tons of emissions ([Page 39](#))

Healthcare and Life Sciences

When people's health is on the line, customers need logistics at its finest. UPS is already the leader when it comes to delivery for lifesaving medications, clinical trials, homecare services, and more. We are expanding our capabilities in a market poised for growth.

What We're Doing

- Expanding this capability to U.S. customers in partnership with CVS Pharmacy ([Page 34](#))
- Pioneering drone delivery of vaccines and other critical medications to remote locations ([Page 35](#))
- Building UPS® Premier, a healthcare technology solution that enhances on-time reliability through priority handling and temperature-sensitive packaging ([Page 44](#))

International High-Growth Markets

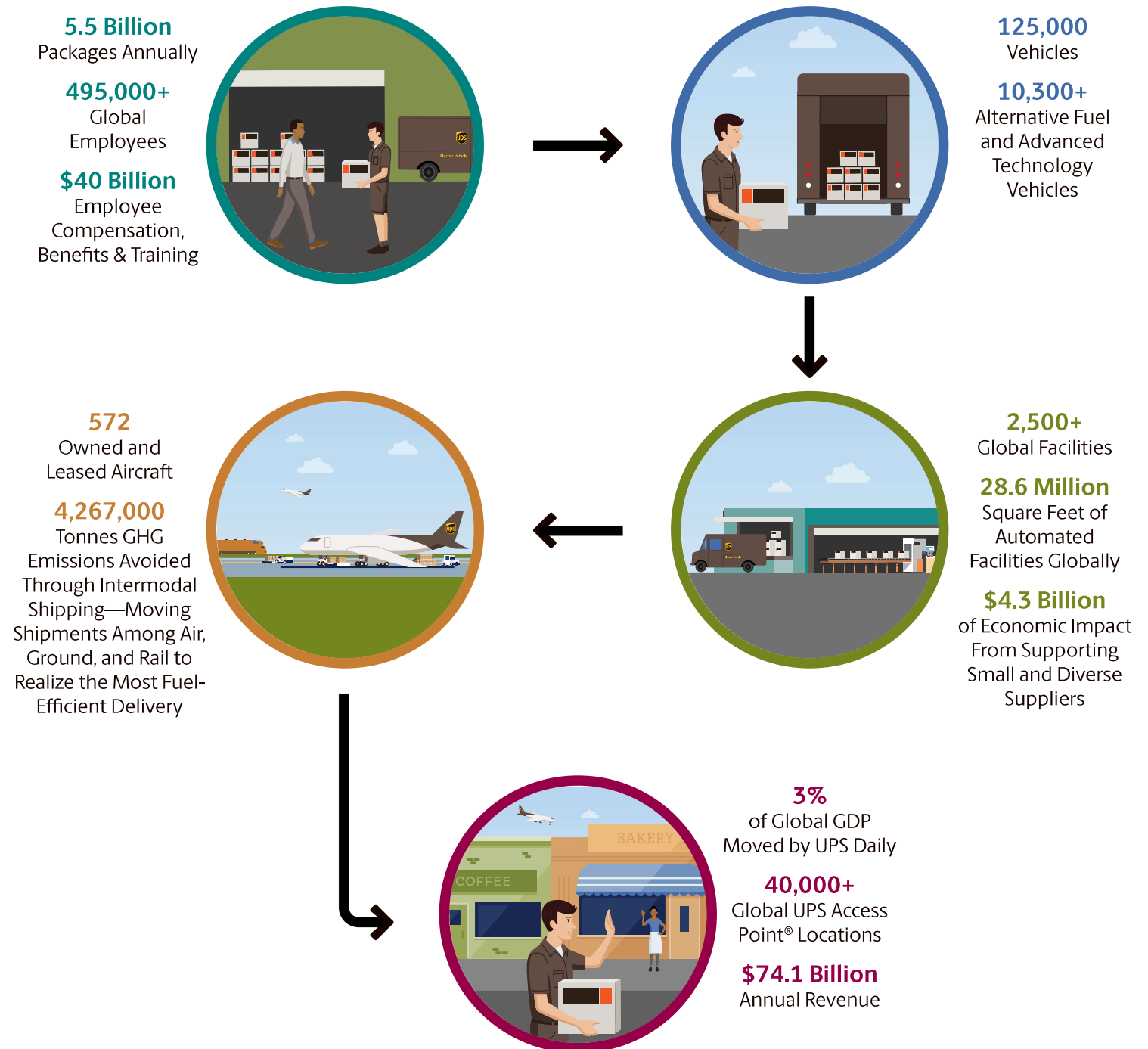
By 2022, two-thirds of the growth of the global package market will happen outside the United States. We are working with stakeholders in Europe, Asia, and emerging markets worldwide to build capabilities in these fast-growing regions.

What We're Doing

- Supporting the fast-growing Middle East economy as the official logistics provider of Expo 2020 Dubai ([Page 20](#))
- Introducing the UPS Women Exporters Program to help women expand their businesses to global markets
- Expanding UPS Worldwide Express® service to more than 140 countries with speedy inventory replenishment and expanded delivery hours

UPS Global Value Chain

As a global leader in logistics, we provide a broad range of solutions that transport packages and freight, facilitate international trade, and deploy advanced technology to more efficiently manage the world of business. We input the assets and capital that comprise our global logistics network in order to output the deliveries and services enabled by that network. Our service offerings include Global Small Package, Insurance & Financing, Logistics & Distribution, and Freight Forwarding. We measure impact through the economic, social, and environmental difference made by our global logistics networks.



A Message From Our Chief Sustainability Officer

Listen, Learn, Lead.

As I close in on my first year at UPS, I'm reflecting on what drew me to join this organization. First, there's the company's reputation for integrity—when UPS commits to doing something, we deliver. Whether driving millions of miles in our alternative fuel and advanced technology vehicles, planting 15 million trees, or creating more sustainable ways to deliver packages, our commitments make a difference and set an example for others in our industry.

I was also impressed with the company's bold ambition. In 2016, UPS announced a goal to reduce absolute emissions 12 percent across global ground operations by 2025. The company set this goal despite anticipating significant growth in package volume—as well as energy use and emissions—as a result of skyrocketing e-commerce. We are addressing these headwinds and remain optimistic, as we're already seeing our investments in lower-emission vehicles and fuels beginning to pay off.

We're making progress, but there's even more that UPS can and must do. Our customers look to us to help reduce climate impacts across their supply chains. UPSers want to work for a company that balances profit with a responsibility to protect the planet and take care of its people. Additionally, investors and other stakeholders are raising the bar and expecting more from companies on all aspects of sustainability. We must keep challenging ourselves to go farther—and faster.

As we continue our enterprise-wide transformation, we're reimagining the possibilities of more sustainable facilities and fleets, such as near-zero-emissions buildings powered with microgrids and solar energy, as well as smart-grid charging and battery storage solutions for electric vehicles.

We are helping to commercialize and scale alternative fuels and technologies, including making the largest-ever purchase of renewable natural gas, and investing in vehicle startups to scale electric delivery trucks. And we're



“I’m proud to work for a company that accepts responsibility and has the clarity of purpose to lead. We don’t have all the answers yet, but we’re asking the right questions and creating innovative, long-term solutions.”

Suzanne Lindsay-Walker
Chief Sustainability Officer and Vice President, Environmental Affairs

collaborating with NGOs on environmental targets for airlines and exploring pathways for lower-emission jet fuel options.

I'm proud to work for a company that accepts responsibility and has the clarity of purpose to lead. We don't have all the answers yet, but we're asking the right questions and creating innovative, long-term solutions. UPS has demonstrated time and time again that we can achieve big things when we put our minds and resources to the task. Today's realities are no exception, as evidenced by the efforts of UPSers on the front lines of the coronavirus response. This unprecedented time reinforces the need to continually future-proof our business so that we remain resilient.

During the past year, I've spent a lot of time listening and learning in an effort to understand UPS's business and sustainability journey—where we've been and where we're headed. As we shape what's next for sustainability at UPS, we will build upon the decades of progress and accelerate actions that serve our customers, support our people and communities, and address our environmental impacts.

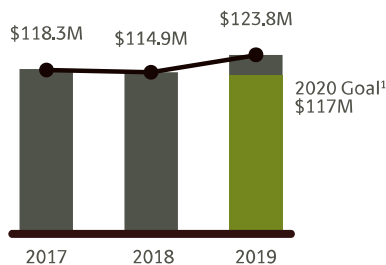
Progress Toward Sustainability Goals

In 2016, we established 10 sustainability goals to address our environmental impacts, advance industry-leading safety programs, and strengthen the communities where we live and work. We are proud to have achieved four goals one year ahead of schedule, and are on track to reach the remaining targets. Learn more about our progress in 2019.

2020 Social Impact Goals

\$117 MILLION IN ANNUAL CHARITABLE CONTRIBUTIONS

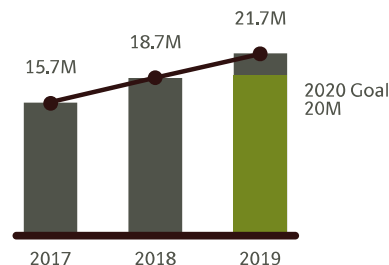
Annual charitable contributions reached \$123.8 million in 2019, surpassing our 2020 goal one year ahead of schedule. This reflects a long-standing commitment by UPS, The UPS Foundation (our corporate citizenship arm), and UPS employees and retirees who generously support nonprofits and United Nations agencies that serve our communities and our world.



¹ In 2018, we adjusted this goal from the previously stated goal of \$127 million to \$117 million to reflect enterprise-wide transformation initiatives.

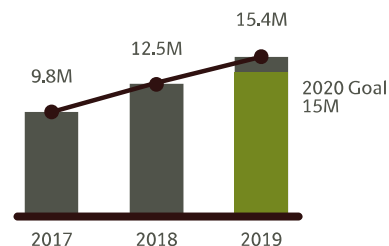
20 MILLION VOLUNTEER HOURS (Cumulative since 2011)

UPSers, their families, and their friends contributed 3 million volunteer hours in 2019, driving our cumulative total since 2011 to 21.7 million volunteer hours and surpassing our 2020 goal one year early. We are proud of the employees whose commitment to community service makes a real difference around the globe. Each year, the Jim Casey Community Service Award is given to a UPSer who demonstrates an exceptional commitment to helping others in their community. Learn more on [page 26](#).



15 MILLION TREES PLANTED (Cumulative since 2012)

In 2011, UPS launched the Global Forestry Initiative to plant and preserve trees that help absorb carbon, prevent erosion, and provide wildlife habitat in urban and rural areas around the world. In 2019, we planted 2.8 million trees through employee volunteer projects and through grants to our environmental nonprofit partners, achieving our goal one year ahead of schedule with 15.4 million trees planted.

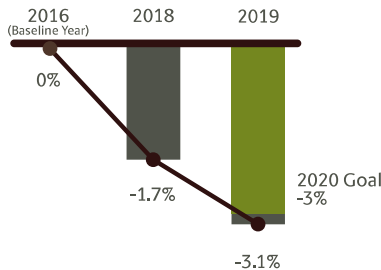


2020 Workforce Goals

3% REDUCTION IN AUTO ACCIDENTS ✓ (Per 100,000 driver hours; 2016 baseline)

UPS is committed to sustaining our track record of industry-leading employee health, safety, and wellness programs across a growing workforce.

In 2016, we set a goal to reduce the number of auto accidents from 9.04 to 8.77 per 100,000 driver hours, representing a 3 percent reduction by 2020. In 2019, we surpassed this goal one year ahead of schedule, driven by continued investments in enhanced driver training techniques and advancements in vehicle technology. To continue our progress, we plan to install collision mitigation systems for select delivery trucks on targeted routes, based on the success of those systems in our tractor trailer fleet.



2% IMPROVEMENT IN EMPLOYEE ENGAGEMENT

In 2016, we set a goal to improve the Employee Engagement Index (EEI) 2 percent by 2020 (from 76.3 percent to 78 percent favorable). The EEI was derived from UPS's annual Employee Engagement Survey (EES); however, as part of our enterprise-wide transformation, we replaced the EES with the UPS Culture Survey, which launched in 2019. Moving forward, we plan to conduct the Culture Survey annually and evaluate development of a target to measure employee sentiment and engagement. Learn more about findings from the inaugural Culture Survey on [page 24](#).

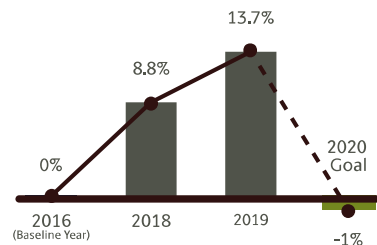


1% REDUCTION IN LOST TIME INJURIES (Per 200,000 hours; 2016 baseline)

In 2016, we set a goal to reduce our rate of lost time injury (LTI) incidents from 1.82 to 1.80 occurrences per 200,000 hours worked by 2020. In 2019, our LTI rate rose to 2.07, a 13.7 percent increase over the baseline, primarily due to a continued increase in new employees hired to meet capacity demands of e-commerce growth.

Our research indicates a disproportionate number of injuries occur during the first year of employment. We continue to engage local health and safety committees to coach new hires as they learn and adapt to UPS's safety processes. In 2019, we introduced cloud technology that enables enhanced sharing of best practices across the committees and reduces administrative burden, increasing available time for in-person coaching with new hires.

We also enhanced the onboarding process by expanding the safety mentoring program to three months, and



evolved the internal auditing process to better evaluate the safety culture in facilities and validate processes are being followed. To focus training for newer employees, we also introduced a metric to help track safety performance specifically for first-year employees.

Additionally, the segment of a delivery where a driver walks to and from the stop presents higher risks, such as tripping hazards. Thus, increased residential e-commerce deliveries impact the injury rate, so we are adapting our industry-leading safety methods and procedures to focus more on the increasing variables of residential delivery environments, compared to commercial stops.

Environmental Goals

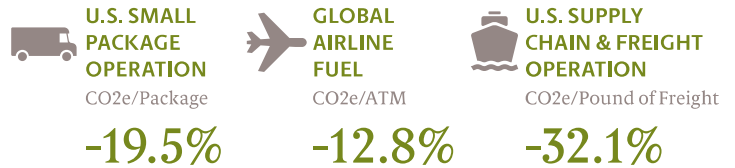
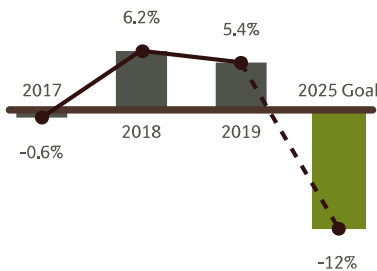
12% REDUCTION IN ABSOLUTE GHG EMISSIONS IN GLOBAL GROUND OPERATIONS (By 2025; 2015 baseline)

In 2019, absolute emissions decreased 0.8 percent over 2018 performance; however, total emissions remain 5.4 percent above the 2015 baseline. When we set this goal, we expected to face headwinds due to e-commerce growth, which is driving a need for an increased level of residential package deliveries, as well as growth in the total number of shipments we complete. The e-commerce boom has also changed buyer behavior: consumers have become accustomed to getting nearly anything they want, when they want it, which is driving demand for faster shipping.

We have invested in operating capacity across our network to accommodate this volume growth, including network planning tools and technologies, as well as fleet expansion and facility automation, which, despite requiring more energy, help improve efficiencies across the network. The key pathway to achieving this goal is to spur the use of renewable energy across our fleet and facilities, so we set supporting targets to source more alternative fuels and to

expand our fleet of alternative fuel and advanced technology vehicles. We remain committed to this goal and are confident that recent investments in lower-emission vehicles and renewable fuels, as well as recent solar deployments, will accelerate our progress in the coming years.

We also continue to report on our GHG intensity goal, using the Transportation Intensity Index (TII), referenced below, which was introduced in 2010. Our goal is to reduce overall carbon intensity 20 percent by 2020 (2007 baseline). This Index captures the overall efficiency of our global network by measuring GHG emissions associated with transporting packages and freight for our customers in a given year. Separate carbon intensity metrics measuring the Scope 1 and Scope 2 CO₂e emissions for each of our three business segments are included in this Index. As of 2019, UPS has realized an overall carbon intensity reduction of 19 percent.

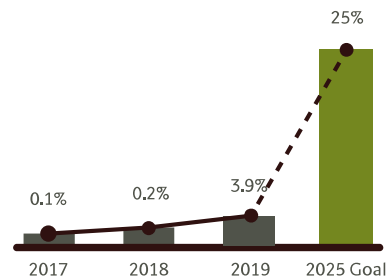


25% RENEWABLE ENERGY (By 2025)

In 2019, we completed a 10MW deployment of rooftop solar arrays on facilities in New Jersey, Connecticut, and Massachusetts, and began procuring renewable electricity for more than 30 UPS facilities in Virginia. UPS operations in 10 European countries are now achieving near-zero emissions through the use of renewable electricity. These investments have generated a modest improvement over 2018, with 3.9 percent of our total electricity needs generated from renewable sources; however, there's more work to do to reach our 2025 goal.

Even as package volume increases, we must further slow the growth of energy use in our facilities. In 2020, we will

deploy additional solar arrays across select facilities and plan to explore other renewable electricity solutions that are feasible from an environmental and economic perspective, including additional purchases of renewable electricity.

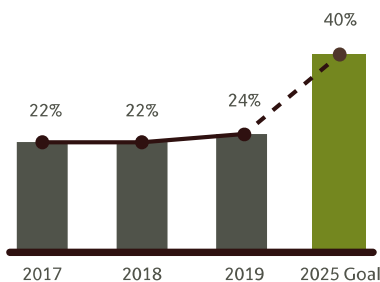




 **40% ALTERNATIVE FUEL AS A PERCENTAGE OF TOTAL GROUND FUEL**
(By 2025)

The use of alternative and renewable fuels is critical to achieving our goal to reduce absolute GHG emissions. In 2019, we continued investing in alternative fuels for our ground fleet, purchasing 135 million gallons of alternative fuels, which represents 24 percent of our total ground fuel usage.

We also committed to purchase 250 million gallons of renewable natural gas (RNG) over the next several years, including the largest-ever single U.S. investment in RNG. As UPS continues to increase the percentage of alternative fuel and advanced technology vehicles compared to petrol and diesel-powered vehicles in the company's overall fleet, we expect to continue to be a leader in the purchase of alternative fuels. The company is roughly halfway to meeting our 2025 goal in this area.

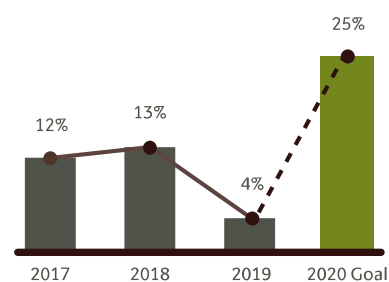


 **25% ALTERNATIVE FUEL & ADVANCED TECHNOLOGY VEHICLES AS A PERCENTAGE OF TOTAL VEHICLES PURCHASED**
(In 2020)

UPS's fleet of more than 10,300 alternative fuel and advanced technology vehicles includes all-electric, hybrid electric, hydraulic hybrid, ethanol, compressed natural gas (CNG), liquefied natural gas (LNG), RNG, biodiesel, and propane vehicles.

In 2019, we continued expanding this specialized fleet; however, year-over-year investments slowed to 4 percent of new vehicles purchased. Nevertheless, we are on track to achieve this goal by the target date, driven by the 2019 commitment to purchase 6,000 natural gas-powered vehicles and planned vehicle purchases in the next three years.

In Q1 2020, we also announced a significant investment in the U.K.-based startup Arrival, which will expand our fleet to include an additional 10,000 all-electric vehicles.



Sustainability by the Numbers



1 million+
MILES DRIVEN

every business day in our fleet of 10,300 alternative fuel and advanced technology vehicles.



1 million+
METRIC TONS OF EMISSIONS

will be avoided as a result of UPS's 2019 commitment to purchase 250 million gallons of renewable natural gas (RNG) over the next several years.



40,000

UPS ACCESS POINT® LOCATIONS

to help reduce missed deliveries—and their associated fuel and emissions.



1st

Federal Aviation Administration (FAA)-certified drone airline, UPS Flight Forward™ is a UPS subsidiary that delivers medical supplies on hospital campuses, as well as prescriptions directly to customers' homes.



3,500+

WOMEN-OWNED BUSINESSES

supported through the UPS Women Exporters Program, a global initiative that helps women cross borders, overcome challenges, and expand their businesses to global markets.



125,000
UPS DRIVERS

will soon wear new uniforms redesigned for improved performance and safety. In partnership with re:loom, some old uniforms will be upcycled into useful items, including leashes for an Atlanta-based animal rescue organization.



21.7 million
VOLUNTEER HOURS

contributed by UPSers, their families, and their friends since 2011, surpassing our 2020 goal one year early.



\$1 billion
INVESTED

in employee training and development programs in 2019.



Accelerating Sustainable Solutions Through Customer-First Initiatives

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Delivering When It Matters Most

How UPS Is Responding to Coronavirus

The novel coronavirus (COVID-19) has put unparalleled strains on our healthcare system, economy, and society. People have been asked to stay home to prevent the spread of the pandemic. Supply chains shifted dramatically. Yet vast reserves of medical equipment must make their way to hospitals, testing sites, and clinics as quickly as possible to treat those affected. This unique combination of demands and constraints has created a significant logistics challenge.

With our 113 years of global logistics experience, we are uniquely positioned to meet that challenge.

A Smart Global Logistics Network

UPS began responding to the coronavirus in early January, when it first affected our operations in China and other parts of Asia. We supplied personal protective equipment (PPE) to our employees; helped customers realign supply chains and modes of transport due to work disruptions from government-mandated shutdowns; and used our network flexibility to realign capacity when volume shifted out of China. This agility prepared us for further changes as outbreaks have spread across the world.



Governments understand the important role UPS plays in global commerce. Many have designated UPS as an essential business, enabling us to continue delivering daily essentials and life-saving medicines for our customers.

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Humanitarian Logistics and Community Support

UPS and The UPS Foundation bring extensive experience helping communities prepare, respond, and recover from natural disasters and humanitarian crises—and we're applying these capabilities to help address this pandemic. In addition, local UPS teams engage directly with local community organizations. We are supporting the COVID-19 response with our global smart logistics network and funding local, national, and international community partners with more than \$21 million in funds, in-kind shipments, and logistics support. This support assists current humanitarian efforts and continues to help local communities through the recovery phase. Our funding of local communities prioritizes food security, education, healthcare, financial sustainability, and continuity of ongoing programs.

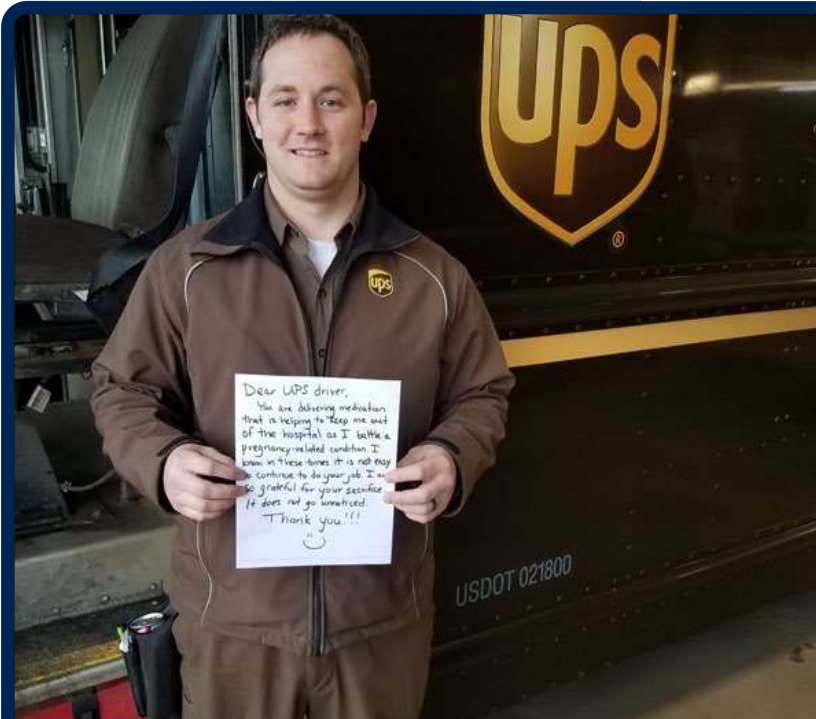
For example, UPS is providing loaned executive logistics experts to assist with public-private partnerships, including our collaboration with FEMA to help distribute PPE and other necessary materials to healthcare workers across the United States. We are also launching drone delivery alongside CVS to the largest U.S. retirement community, home to more than 135,000 residents.

An Unmatched Team

UPSers are accustomed to rallying when needed, such as our holiday peak delivery season or periods of extreme weather. Their support of our coronavirus efforts is no different. UPS drivers, pilots, package handlers, and others behind the scenes have stepped up with a level of commitment and dedication like never before. We're taking actions to keep our people safe, such as adjusting our operating procedures; rapidly enhancing cleaning procedures for facilities, vehicles, and aircraft; and quickly deploying and replenishing resources like gloves, hand sanitizer, and face masks. At every step, we're prioritizing the safety of our people and responding to their needs.

Staying the Course

Coronavirus has upended life as we know it. During this uncertain time, many customers have told us that life feels a little more normal again when they see that familiar brown delivery truck come down their street. Whatever the future holds, UPS will do all that we can to continue to support our employees, customers, and communities worldwide.



Dear UPS driver,
You are delivering medication that is helping to keep me out of the hospital as I battle a pregnancy-related condition. I know in these times it is not easy to continue to do your job. I am so grateful for your sacrifice. It does not go unnoticed.
Thank you!!!
☺

The dedication of UPSers around the world has not gone unnoticed. As people are sheltering in place, UPS drivers are receiving an outpouring of support and messages of appreciation for delivering during this time of need.

 [Watch the video here.](#)



Making Deliveries More Sustainable Than Ever

As e-commerce transforms the experience of buying and selling goods, consumer expectations are changing rapidly. Today's consumers desire not only faster delivery, but also more options and information about when and where their orders will arrive. To help sellers keep up with these demands, UPS announced several service enhancements that not only improve convenience and control for consumers and small- and medium-sized businesses (SMBs), but also reduce the environmental impact of deliveries. Centralized pickup and drop-off locations, coupled with route optimization technology, reduce the number of delivery stops our drivers make, which decreases fuel usage and emissions.

We have expanded the UPS Access Point® network, partnering with leading retailers across the U.S. to offer a secure location to drop off and receive packages. UPS Access Point locations are an ideal delivery option for customers to safely receive packages during convenient business hours if they won't be home.

We also integrated the UPS Access Point network with the longstanding UPS My Choice® service for home. The UPS My Choice service for home allows consumers

UPS ACCESS POINT® EXPANSION

 **40,000**
UPS Access Point locations globally

 **67 million+**
UPS My Choice® members worldwide

 **92%**
of U.S. consumers now have a UPS Access Point location within five miles of home

to track and manage multiple package deliveries, receive real-time alerts, and reroute or reschedule deliveries as needed. The service has more than 67 million members worldwide.

Building on the marked success of the UPS My Choice service for home, the UPS My Choice service is now available for businesses. UPS My Choice service for business tailors this industry-first platform to the unique needs of SMBs, offering an internet-based tracking dashboard; advance delivery notifications, including day-before and day-of delivery notifications; and estimated time of delivery within two-hour windows for the majority of U.S. postal codes. UPS My Choice service for business, available at no charge, helps SMBs save time and money while improving customer service.

How UPS Supports a Circular Economy

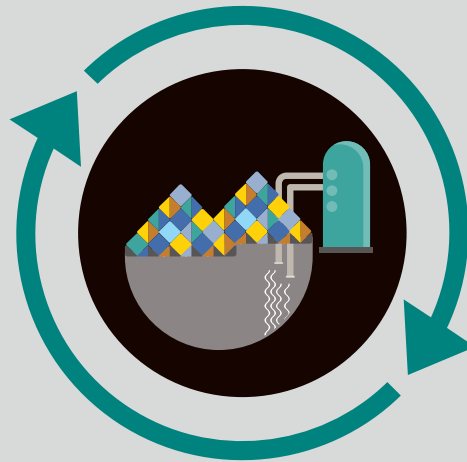
In a traditional linear economy, goods are made, used, and then disposed. In a circular economy, by contrast, the end of one product's life is an opportunity for recovery, reuse, and new value creation. But for the circular economy to work, materials must be in the right place at the right time. That's why logistics help make circularity possible. UPS is helping advance a circular economy through our services and in our own operations.



Circular Solutions for Customers

When goods are as easy to return as they are to order, merchants reduce waste and resources used in manufacturing and packaging of new products. We're making returns easy for businesses and individuals through:

- 150,000 convenient drop-off and pickup locations
- UPS Returns® Manager, which allows customers to print return labels and provides merchants with online management and visibility of returns
- Our strategic alliance with Optoro, a technology platform that helps retailers maximize the recovery value of returns



Circular Principles in Our Operations

As the largest consumer of renewable natural gas (RNG) in the transportation sector, UPS is helping transform a waste product into a low-carbon alternative fuel. The circular process starts when waste is buried in landfills and begins to decompose. The decomposing waste releases methane, which is 25 times more harmful when emitted than CO₂. But methane can also be put to use by being purified and processed into RNG that can be used in place of other types of natural gas to power vehicles, displacing their associated emissions. Today, UPS is putting its purchasing scale to work to help commercialize this renewable transportation fuel.



Circular Initiatives in Action

Nespresso is the pioneer in premium, single-serve coffee. While Nespresso capsules are made from aluminum, which is infinitely recyclable, they do not always reach recycling facilities. In partnership with UPS, Nespresso has established a dedicated capsule recycling program in the U.S.

Nespresso offers consumers pre-paid recycling bags to mail back used capsules, which can be dropped off at any UPS location or returned to any Nespresso Boutique or other participating retailers. Capsules are then sent to recycling partners who separate the coffee grounds from the aluminum. Aluminum is processed and reused, while coffee grounds are composted into high-quality soil used for landscaping.

Lessons From Our eBike Journey



UPS is exploring a range of solutions to make deliveries within cities more efficient and with zero emissions, including with electric bicycles and tricycles. We launched our first eBike delivery pilot in Hamburg, Germany, in 2012. Today, we are working on more than 30 urban logistics projects in cities worldwide.

After nearly a decade of collaborating with city stakeholders on more sustainable logistics solutions, we've learned a lot about which options work best in different areas. This experience has enabled us to identify and scale the right combination of solutions, such as electric vehicles, bikes, and even drones.

Here are a few examples of how we're applying these insights to new projects.

1

Bikes work best in dense environments

In congested urban areas, it can often be hard to find parking for a delivery van. This creates an opportunity for bikes, which can travel places that trucks can't—like bike lanes, sidewalks, and narrow side streets. When bikes replace trucks in dense city centers, they reduce congestion and emissions where these problems are most acute. This is a shared challenge among many logistics companies, so it's critical that we come together to create shared solutions.

INSIGHT IN ACTION: New York City



NYC DOT Commissioner Polly Trottenberg

UPS is collaborating on a six-month pilot with other logistics companies to reduce delivery-related congestion in New York City. The bikes will be concentrated in the most congested parts of Manhattan and will have access to commercial loading areas, sidewalks, and more than 1,250 miles of bike lanes.

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2

Many customers make for more efficient delivery

Compared to large delivery vans, bikes are better suited to make multiple stops within a small geographic radius. Areas with a high density of UPS customers, therefore, are bike delivery sweet spots. Packages can be transported to an Eco Hub that serves as a mini distribution center, then efficiently delivered to customers via bike or on foot.

INSIGHT IN ACTION: Trinity College Dublin



Campus environments—where thousands of potential customers live and work in a condensed area—are ideal for bike delivery. At Trinity College Dublin, UPS eBikes now make deliveries from a package hub on campus, and students and staff can collect parcels from storage lockers any time of day.

3

Partnership with cities is key

eBike solutions can help cities meet their emissions reduction goals—but only if cities are on board. City officials are instrumental in helping communities adapt to this new logistics model, including providing space for Eco Hubs and allowing eBikes to temporarily park in loading zones.

INSIGHT IN ACTION: Denmark and Sweden



Copenhagen and Stockholm plan to be carbon-neutral by 2025 and 2040, respectively, and UPS eBikes play an important role in helping them reach their goals. With seven eBikes in these two cities, and in Aarhus, Sweden, UPS will replace 350 daily stops previously made with conventional fuel vehicles through emissions-free bike deliveries. We coordinated with each city to establish Eco Hubs at UPS Access Point® locations.

All Hands on Deck for Expo 2020 Dubai



25 million

visitors



1 million+

deliveries by UPS before the Opening Ceremony

In Dubai, United Arab Emirates, UPS is taking on one of our most complex logistics challenges ever.

As the official logistics partner of Expo 2020 Dubai, UPS is an important player in the lead-up to the event. Like other world expositions, Expo 2020 will bring together visitors from all parts of the world to share solutions to global challenges. And like past expos, Dubai is planning for an unforgettable experience with hundreds of new buildings, events, and attractions for visitors to enjoy. While we have expertise managing logistics for mega-events like the 2008 and 2012 Olympic Games, the six-month-long Expo 2020 will be an effort unlike any other.

Such an undertaking requires years of planning and continued flexibility. UPS and Expo 2020 Dubai announced our partnership in 2017, and we have been

handling deliveries and making preparations ever since. Despite the postponement of Expo 2020 to October 2021 due to coronavirus concerns, our commitment to deliver a sustainable Expo remains top priority. We have increased our capacity, technology, and staff capabilities to serve customers shipping to and through Dubai. This expanded presence will remain after the Expo concludes, allowing UPS to support commerce and trade in this fast-growing region.

Sustainability and mobility are two important pillars of Expo 2020. UPS is applying our decades of expertise in sustainable logistics to manage and mitigate the environmental impacts of the Expo. We are operating zero-emissions solutions such as our e-assist quad cycles and tricycles, which are charged by advanced infrastructure that we developed and deployed through smart-grid solar partnerships. All on-site UPS delivery trucks are equipped with telematics, which provides visibility into vehicle performance and enables more control and efficiency across the fleet. Any remaining emissions generated by the Expo can be offset through UPS's carbon neutral shipping solution.

The Expo has set goals for water and waste reduction, use of sustainable building materials, and preservation of 80 percent of permanent construction after the Expo ends. This means that the infrastructure development UPS has supported for the Expo will benefit Dubai residents and visitors long into the future.

Driving Solutions for Sustainable Shipping

Customers often want to make their shipping more environmentally sustainable, but often are unsure which move to make. We offer a range of solutions that customers can choose to ensure a lower-carbon journey.



Start Here: Choose UPS

We deploy initiatives to lower the CO₂e emissions of our global logistics network. By simply choosing UPS, packages travel a more sustainable journey.

Initiatives

- Alternative fuel & advanced technology fleet
- Global, integrated, and optimized logistics network
- Use of carbon-efficient transportation modes, such as rail, sea, and cargo bikes
- Route optimization to ensure more efficient delivery
- Green building certifications and renewable energy for facilities

Next Step: Choose Sustainable Solutions

We provide solutions that offset carbon emissions entirely or lower them through more efficient trips that optimize routes and/or increase package density.

Solutions

- Carbon impact analysis
- UPS carbon neutral shipping
- UPS My Choice® service for home
- UPS My Choice® service for business
- UPS Access Point® network
- UPS Smart Pickup® services¹
- UPS Synchronized Delivery™ service²



The Extra Mile: Choose to Collaborate

We work with customers to measure and manage the carbon emissions of their shipping and to design more sustainable packaging.

Initiatives

- Supply chain optimization analysis
- UPS Co-Innovation workshops
- Eco Responsible packaging program
- Packsize on-demand packaging³



¹Currently available in the U.S., the U.K., and Germany

²Currently available in the U.S.

³Currently available in the U.S. and Europe



Accelerating Sustainable Solutions Through People-Led Ideas

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Empowering Women in Technology at UPS

Being a woman in a technology-driven career can often mean being the only woman in the room. So, in 2019, UPS launched our Leadership Summit focused on increasing the representation and advancement of women in technology at UPS.

The goal of the event, sponsored by Chief Information and Engineering Officer Juan Perez, was to unite information technology and engineering teams in an effort to develop strategies that will help cultivate an environment where women can advance their careers. Two long-time UPSers—Rhonda Clark, President, Global Buildings and Systems Engineering, and Kim Felix, Vice President, IT Enterprise Technology Solutions—hosted the Summit, which included workshops, breakout sessions, and a fireside chat with UPS customers. With more than 100 leaders in attendance at UPS's Innovation Center in New Jersey, the event provided an opportunity to connect, collaborate, and champion greater diversity and inclusion.

The Summit's theme, "Creating the Path to Success," encouraged participants to consider how they can use their influence to advocate the advancement of women in engineering and technology roles at UPS. The agenda included listening sessions featuring the next generation of female leaders and workshops that equipped allies with tools to better support women at UPS. Insights

gathered during the Summit were used to develop a roadmap to continue these efforts in 2020 and beyond.

The Summit included:



Workshops



A fireside chat with UPS customers



Breakout sessions

UPS Chairman and Former CEO David Abney delivered the closing keynote and question-and-answer session in which he shared his insights on technology and innovation, along with the importance of diversity and inclusion. "I believe we must leverage diverse perspectives by ensuring everyone's voice is not just heard, but listened to," Abney said. "Female leaders bring the diversity of thought, experience, and talent essential to doing business in an increasingly diverse and global world."



[Watch the video here.](#)



"I believe we must leverage diverse perspectives by ensuring everyone's voice is not just heard, but listened to."

David Abney
UPS Chairman and Former CEO



Culture Survey Turns Input Into Action

Our 495,000 UPSers around the world are our greatest asset. And in a competitive marketplace, it's critical for UPS to build a strong culture that attracts and retains employees to help us meet our business goals.

UPS is continually refining how we take the pulse of our culture and engage our people. For several years, we conducted an Employee Engagement Survey, from which we derived a score known as the Employee Engagement Index. In light of enterprise-wide transformation initiatives that began in 2018, we are evaluating and shaping our culture in new ways.

In 2019, we introduced the UPS Culture Survey to better understand how our beliefs and behaviors align with our strategy. Focused on what empowers and motivates people, the survey helped us identify existing strengths, as well as opportunity areas, that drive business results and support UPS's continuous transformation.

Responses from UPSers reinforced some of the legacy values we hold dearly—integrity, safety and wellness, service, quality and efficiency, teamwork, and action. They also illuminated opportunities for growing cultural strengths, such as facilitating more internal connections and collaborations, advancing diversity and inclusion,

implementing sustainable business practices, enabling knowledge sharing and empowerment, and increasing flexibility. Never before have these values been more on display than in response to the coronavirus pandemic, during which employees around the world demonstrated the resolve, integrity, and work ethic UPSers are known for.

Insights from the Culture Survey also informed our new Leadership Framework, introduced in 2019 to develop the talent needed to compete in the future. The Framework reflects our legacy cultural strengths, while also encouraging and rewarding agility, responsiveness, and continuous transformation.

We listen to our people and view the Culture Survey as a continuous improvement tool, using feedback to adjust strategies in real time as needed. Insights from previous surveys have driven changes across the company, including enhancements to rewards and recognition programs, more frequent communication from company leadership, and flexible business attire, among many other examples. We report the results of the Culture Survey to all UPSers, including the Management Committee, and plan to administer the Survey annually moving forward.



Jenny Rosado joined the Hi Ho team to participate in the “Kids Meet a UPS Driver” episode.

Spreading Positivity, One Delivery at a Time

When Jenny Rosado started her career with UPS, deliveries were tracked on clipboards and modern power steering was still years in the future. More than 30 years later, this Circle of Honor delivery driver reflects on what’s changed—and what keeps her at UPS.

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I started at UPS back in 1989. I had taken a semester off from college and my intention was to go back and finish. Then, I happened to meet a friend who said, “Why don’t you come to UPS?” I planned to do it for a few months, but soon I realized that school wasn’t the path for me. I never looked back.

Thirty-one years later, it’s amazing how much things have changed here. Technology is one of the most obvious ways—for example, dispatchers used to contact us using pagers or leave messages at certain pickup spots. Now, we have tools like the DIAD [Delivery Information Acquisition Device] that keep us connected at all times.

I’m also proud of how much UPS’s focus on safety has evolved. Every morning, supervisors hold prework communication meetings, or PCMs, with drivers before they head out on their daily routes. In the past, these meetings were the same day after day, and drivers



would often tune them out. I help write PCMs now and always remind drivers that their last stop is home. I also make sure that the topics we cover are different each day. One day could be about safely turning corners. Another could be about slips and falls. Since doing this, I’ve noticed that more people are attending and paying attention because there’s always something more to learn. Besides writing PCMs, I help mentor and encourage other drivers, especially newer ones. That means not only training them to work safe, but also boosting their confidence. When my coworkers are frustrated, I do what I can to bring them along. A few days a week, I send out either a positive quote or a question of the day—my way of helping drivers be more aware of their feelings and start their days off on the right foot.

Many people think that being a package car driver is a lonely job. But I’m a real people person, and going on the road and meeting people is one of the reasons I love this work. I’ve been doing the routes I have now for about eight years, and some of my customers are really like friends and family. One of my favorite things is when I see a customer who I can tell is in a bad mood, and I can just flip their whole mindset and change it into something positive. It’s nice to interact with different people and get to see how other people live and think.



Generosity by Example

The Jim Casey Community Service Award is presented each year to a UPS employee who exemplifies UPS’s core value of giving back to our communities. This year’s winner is Mary Okada, Global Business Services Customer Service Manager for UPS Japan. Mary’s service is not limited to any one community. She volunteers at Family House, which is in Tokyo where she’s currently based, and has also led disaster relief efforts in Nepal and her home country of the Philippines. Watch [this video](#) to see how Mary inspires her fellow employees with her compassionate spirit.



New hats feature mesh backing made with moisture-wicking material and a wide brim for sun protection.

Shirts will continue to include the distinctive Circle of Honor patch for drivers who have driven 25 years without an accident.

A new polo shirt made with moisture-wicking material is lightweight and breathable.

A belt made with flexible material allows for more comfortable movement.

Reflective logos and strips on sleeves increase visibility and safety.

Shorts and pants use two-way stretch fabric for greater mobility and comfort.

IN PARTNERSHIP WITH RE-LOOM, SOME OLD UNIFORMS WILL BE UPCYCLED INTO USEFUL ITEMS.

Deeper pockets help keep customer delivery notices safe and dry.

UPS Browns Get a New Look

Given the climbing, lifting, and lowering that makes up many of their tasks, UPS drivers are often referred to as “industrial athletes.” And they need uniforms that work as hard as they do.

When we asked drivers from centers around the globe what they wanted in a uniform, one response was consistent: comfort. So we redesigned our iconic brown uniforms for increased comfort, while keeping performance and safety in mind.

The new uniforms use updated fabrics with improved stretch for better range of motion. The final designs were beta-tested for months with about 100 drivers in 30 locations to ensure they would support different climates and body types.

This new uniform will eventually be worn by 125,000 UPS drivers. As the new uniforms are phased in, old pieces will be upcycled, keeping fabric out of landfills.



Helping Employees Help Each Other

Dionis Cochrane knows how to bring out the best in people and inspire them to capitalize on individual strengths when working toward common goals. The North Atlantic District Operations Business Manager has been with UPS for more than 16 years. Early in her career, she was tapped to participate as a mentee in a pilot program she later learned was the cornerstone of the Women's Leadership Development Business Resource Group (BRG) in the North Atlantic District. It wasn't long before she emerged as a leader. "We were invited to give feedback to the coordinator of the program on how it was going and what else we wanted to get out of it," Dionis says. "It was a two-way street: it allowed us to be really open about challenges we faced in our careers and it ultimately helped shape what the Women's BRG later became."

The open format mentoring program is still in place today, with each mentor-mentee team deciding together on a relationship that works best for them. Dionis now sits on the

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Growth Through Diversity & Inclusion

"UPS's approach to diversity and inclusion is rooted in connecting and empowering employees, customers, suppliers, and communities for success," says Eduardo Martinez, UPS Chief Diversity & Inclusion Officer and President, The UPS Foundation. "Embracing the dynamics of different backgrounds, experiences, and perspectives to propel our growth helps drive faster innovation, better solutions, and greater value. There's a business reason for embracing diversity and inclusion, as much as there is a social justice reason."

One way we're fostering diversity at UPS is through the new Diversity & Inclusion Horizon Award, which was created to recognize a UPS business unit that embraces a diverse workforce and practices inclusion to drive growth and innovation.

The inaugural award was presented at UPS's 2019 Management Conference to a cross-functional Action Learning Team that has been working to increase diversity and inclusion in UPS's Asia Pacific Region since 2015.

Ross McCullough, President, Asia Pacific Region; Billie Tan, Vice President, International Sales; and Michelle Ho, President, China District (all pictured below) accepted the award.



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other side of the table, with five formal mentees and a host of UPS women who look to her for guidance and leadership. Dionis has spearheaded roundtable events with the Red Shoe Movement, an organization that helps companies like UPS facilitate platforms that allow women to share ideas and concerns in a small-group setting. She has also helped organize ride-alongs with UPS drivers to support sales efforts and events in partnership with Dress for Success, which provides professional attire to women in need.

When the North Atlantic District wanted to start a BRG specifically for Women in Operations (WIO), they knew exactly who to call. Dionis had recently taken a rotation into operations, where she learned some of the unique challenges that these employees face—including barriers to participating in a BRG. “When WBRGs had events, people from operations would want to participate, but often couldn’t because of their shift timing,” says Dionis. “This meant that they were missing out on the development opportunities that we were offering.”

WIO organizes programming that better meets their needs. Dionis helped kick off WIO during Women’s History Month with a campaign focused on establishing lactation areas in operations facilities for women returning to work after maternity leave. From Dionis’s standpoint, the more people involved in BRGs, the better. “Being part of a BRG gives you a sense of



Dress for Success provides professional attire to women in need.

community at work. You always have those go-to people that you can bounce ideas off of when you’re facing a challenge.” Those benefits also create business

“The same talent pool I pull from to help me personally with my challenges, UPS can use to drive sales.”

value for UPS. “The same talent pool I pull from to help me personally with my challenges, UPS can use to drive sales. Whenever there are people aligned on a common mission, *there’s nothing we can’t accomplish.*”

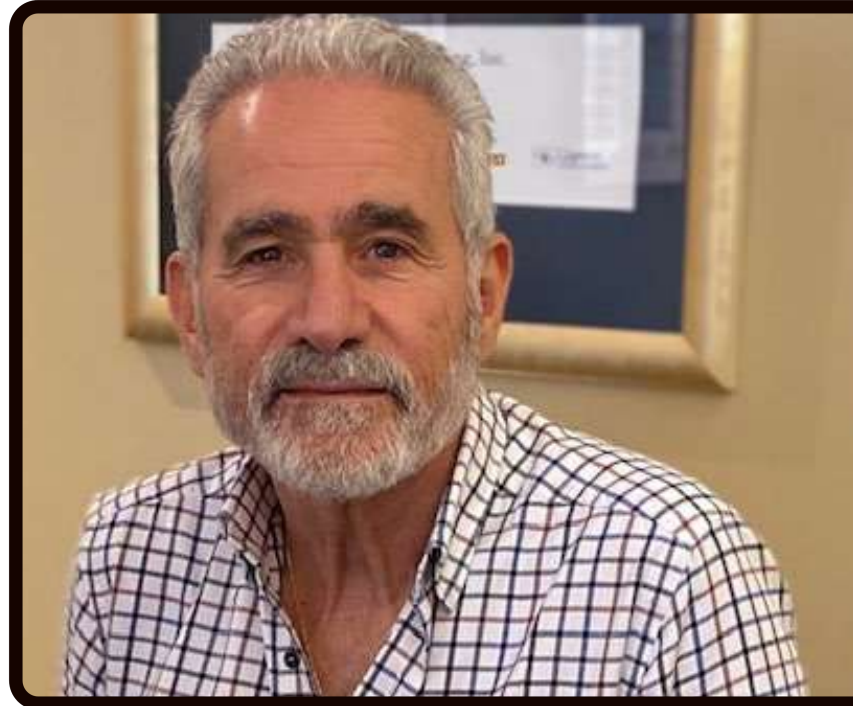
External Recognition for UPS’s Diversity & Inclusion Efforts

- 100 Percent Score on Corporate Equality Index
Human Rights Campaign
- 2019 Corporate Award
Executive Leadership Council
- 2019 Corporate Partner of the Year
Hispanic Scholarship Fund
- 2019 Best-of-the-Best Corporations for Inclusion
National Business Inclusion Consortium
- Winner, 2019 BRG Challenge
National LGBT Chamber of Commerce

To learn more about UPS’s sustainability awards and recognitions, visit [ups.com/sustainability](https://www.ups.com/sustainability).

Shared Values, Shared Successes

Working with suppliers who reflect UPS's diverse markets helps us better serve customers and contributes to the economic development of our communities. Belle-Pak, a minority-owned business and long-time supplier to UPS, provides packaging materials such as polyethylene bags, waybill pouches, and clinical bags. Belle-Pak shares many UPS values, including building a diverse workforce and supplier base. Vice President and cofounder Yves Nahmias shares how his company is advancing sustainable packaging innovation for customers like UPS.



Yves Nahmias
Cofounder and Vice President, Belle-Pak Packaging Inc.

“We continuously collaborate with customers like UPS to develop more sustainable packaging options.”

Q:
Tell us about Belle-Pak's history.

We started the company in 1991 in Ontario, Canada. We've been working with UPS for more than 20 years, and have come a long way in that time. Today, we have facilities in Ontario, Massachusetts, and Georgia that employ over 240 people. We supply post offices and courier companies throughout North and South America, as well as Europe.

Q:
What is Belle-Pak's workforce like?

We're like family. I know everyone who works here and many of our employees have recruited family members to work at Belle-Pak. This level of closeness and trust means that I can count on our people, and I think it's the secret to our growth.

We're also a family of immigrants. Of our 240 employees in Canada, only one is a native Canadian. The rest have immigrated from all parts of the world, including India, China, Indonesia, the Philippines, and more.

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Q:

In what ways does Belle-Pak invest in its employees?

Because we're a relatively small company, it's very important to keep employees satisfied. We support employees with programs like college scholarships for employees' children, mortgage assistance, preschool funding for single parents, and loans for recent immigrants. It goes back to our family-like culture—we take care of people when they need help. As a result, our people tend to stay with us.

Q:

UPS's supplier diversity efforts include making sure that our suppliers have diversity initiatives within their own supply chains. What work is Belle-Pak doing on this front?

Because we operate in multiple countries, we work with both the U.S. National Minority Supplier Development Council and the Canadian Aboriginal Minority Supplier Development Council to find and certify diverse suppliers. We also help our suppliers navigate the administrative and cost requirements associated with these certifications.

Q:

What's the role of innovation in Belle-Pak's business?

Every year, we invest between \$3 million and \$4 million in new equipment. We strive to minimize our carbon footprint and help our customers reduce theirs. That's why we continuously collaborate with customers like UPS to develop more sustainable packaging options, such as reducing the thickness of poly bag materials.

We also look out for opportunities for logistical innovation. Now that we have a warehouse in Atlanta, we can more easily fulfill small orders directly to operations centers. This not only saves us money, it helps us better serve customers like UPS.





Accelerating Sustainable Solutions Through Innovation-Driven Investments

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UPS Flight Forward™



Drone Deliveries Take Flight

Imagine a logistics network that isn't constrained by typical delivery routes or timetables. Where service providers don't have to wait to fill a truck, plane, or ship with enough volume to cover their costs, but rather can ship on demand. Where traffic delays no longer stand in the way of making critical deliveries on time.

With UPS Flight Forward™, one of the first Federal Aviation Administration (FAA)-certified drone airlines, all of this is becoming reality.

UPS's Autonomous Aviation History

UPS has been testing drones and other automation and robotics technologies for years, particularly in the healthcare space. Since 2016, we've partnered with organizations that use drones to deliver life-saving medical supplies in hard-to-reach locations in [Rwanda](#) and [Ghana](#).

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In 2017, we took a major leap in residential package delivery by testing a drone launched from the roof of a UPS delivery truck. And in 2019, we teamed up with drone manufacturer Matternet to launch a healthcare delivery service on the WakeMed Health & Hospitals campus in Raleigh, North Carolina. It was the first commercial daily drone service cleared by the FAA to transport lab specimens or medical equipment. Through the WakeMed program, a medical professional loads a secure drone container with a medical sample or specimen at one of WakeMed's nearby facilities. The drone then flies along a predetermined flight path, creating transport efficiencies. In just eight months, UPS Flight Forward™ service completed more than 2,000 revenue-generating drone deliveries on the WakeMed campus. UPS and Matternet will use the learnings to consider how drones can be applied to improve transport services at other hospitals and medical facilities across the U.S.

Later in 2019, our drones achieved another milestone. UPS, in partnership with CVS Pharmacy, completed the first revenue-generating drone delivery of a medical prescription to a consumer's home. We then made another delivery of a medical prescription to a second customer in a nearby retirement community. The flights offered a vision of drone delivery solutions that could soon become commonplace, providing a valuable



service in communities where life-saving medications are needed and consumers at times cannot conveniently access a pharmacy.

What's Next for UPS Flight Forward

UPS Flight Forward, led by an all-female flight crew, included in the picture above, is the first airline to earn the FAA's full Part 135 Standard certification, the highest level of certification that has no limits on the size or scope of operations. This means that we can fly drones beyond the operator's line of sight, which will help us scale drone delivery. Pending government approval, UPS will operate regular and frequent drone flights by expanding delivery to additional hospitals and campus environments and by adding new services, including commercial and residential drone deliveries.

As we prepare for this exciting future, we are keeping safety at the heart of everything we do, including plans to develop air- and ground-based detect-and-avoid technology.

Drone deliveries are the next logical enhancement to UPS's Global Smart Logistics Network, enabling supply chains that are more dynamic, predictive, and customized than ever before. As our expanded drone delivery network prepares for takeoff, UPS Flight Forward service is giving new meaning to the saying "the sky's the limit."



UPS's History of Drone Delivery

2016

- With philanthropic support from The UPS Foundation and Gavi, the Vaccine Alliance, Zipline launches the world's first national-scale drone delivery service to bring life-saving blood to hospitals in Rwanda.
- UPS collaborates with CyPhy Works to test drones for package delivery to remote or difficult-to-access locations.

2018

- The UPS Foundation partially underwrites the construction of Zipline's second drone delivery facility in Rwanda, which helps to further expand medical access for the country's 11 million citizens.

2017

- UPS tests delivery of a package by a drone launched from the roof of a delivery truck.
- The UPS Foundation and the American Red Cross use a CyPhy tethered drone to assess damage in areas affected by Hurricane Harvey.

2019

- The UPS Foundation and Gavi help fund the construction of four Zipline distribution centers in Ghana. Since 2016, Zipline has made over 35,000 critical and lifesaving deliveries in Ghana and Rwanda, thanks, in part, to the philanthropic support of The UPS Foundation.
- UPS launches its own delivery service on WakeMed Health & Hospitals campus.
- UPS Flight Forward™ receives one of the Federal Aviation Administration (FAA)'s first full Part 135 Standard certifications to operate a drone airline, led by an all-female flight crew.
- Completes the first revenue-generating drone delivery of a medical prescription to a consumer's home.

LOOKING AHEAD

- Planning to build a centralized Operations Control Center.
- Partnering with drone manufacturers, such as Wingcopter and Matternet, to build new drones with greater carrying capacity and advanced technology.



Reducing Our Impact in the Skies

Since 2005, UPS Airlines has reduced its carbon intensity 13 percent through improved aviation procedures and aircraft enhancements. Our air fleet represents a large portion of our global footprint, so we continually monitor advancements and support innovation to accelerate the development of scalable, lower-carbon aviation fuels.

Through the efforts of the UPS Fuel Analytics and Sustainability Group, here are a few ways we avoided GHG emissions in 2019.

FIRE-RESISTANT CONTAINERS

Enhance safety and weigh less than traditional containers.

GHG Reduced
17,800
Metric Tonnes

APU RUNTIME REDUCTIONS

A new auxiliary power unit (APU) system monitors APU usage for aircraft and provides real-time feedback to reduce APU run time.

GHG Reduced
2,500
Metric Tonnes

DISCRETIONARY FUEL REDUCTIONS

Historical flight plan data enables more accurate fuel requirements, allowing us to grant permission for planes to carry less reserve fuel on international flights, reducing weight and carbon emissions.

GHG Reduced
30,600
Metric Tonnes

“WINGLET” MODIFICATIONS

Reduce drag and increase fuel efficiency by 3.7 percent per flight.

GHG Reduced
81,300
Metric Tonnes

JET ENGINE WASHING

Remove particulate matter accumulated during operations.

GHG Reduced
33,300
Metric Tonnes

Pounds of CO2 per Available Ton Mile (ATM)

	LBS. CO2/ATM (NAUTICAL MILES)	LBS. CO2/ATM (STATUTE MILES)
2005 BASELINE	1.54	1.34
2017	1.40	1.22
2018	1.35	1.17
2019	1.33 (13% REDUCTION)	1.16 (13% REDUCTION)
2020 GOALS	1.24 (20% REDUCTION)	1.08 (20% REDUCTION)



Alternative Vehicles on the Move

We continue to expand our “rolling laboratory,” UPS’s fleet of 10,300 vehicles that test lower-emission fuels and technologies on the road every day. In 2020, 25 percent of vehicles purchased will be alternative fuel or advanced technology vehicles and, by 2025, alternative fuels will supply 40 percent of our total ground fuel needs. All of these initiatives help advance our goal to reduce emissions across global ground operations.



Investments in Lower-Emission Deliveries

UPS will deploy
10,000

all-electric delivery vans, custom-built by EV-manufacturer Arrival, in North America and Europe. Equity investment in Arrival gives UPS the option to purchase 10,000 additional EVs.

30+

urban logistics projects are improving last-mile deliveries in cities around the world.

Pre-ordered
125

of Tesla’s new fully-electric Semi tractors.

We will purchase
6,000+

compressed natural gas (CNG) vehicles between 2020 and 2022, almost doubling our CNG fleet.

Fueling the fleet will include

250 million

gallon equivalents of renewable natural gas, the largest purchase commitment in U.S. history.

Propane-powered engines have been in our fleet since 1982, and now number more than

2,400
worldwide.



Scaling Our Alternative Fleet

Beyond helping us reduce our own footprint, our rolling lab is helping grow the alternative fuel market worldwide. “Fleet electrification is one of the areas where we seek to act as an industry leader,” says Luke Wake, Director of Automotive Engineering & Advanced Technology Group, UPS International. “UPS has a global network that can integrate ground-breaking vehicle component suppliers and manufacturers, which moves the automotive market forward faster, delivering sustainable, low-emission solutions that work today and can scale up tomorrow.”

Our rolling lab is always growing. Several initiatives announced in 2019 and 2020 are moving us closer toward our goal to have 25 percent of vehicles purchased in 2020 run on alternative fuel or advanced technology.

Globally, we are investing in both more energy-efficient vehicles and cleaner fuel to power them. Between 2020 and 2022, we will purchase more than 6,000 heavy-duty

\$1 billion+

invested in alternative fuel and advanced technology vehicles, fuels and infrastructure over the past decade.

gas trucks, terminal tractors, and medium-duty walk-in vans equipped with CNG fuel systems provided by Agility Fuel Solutions. By 2026, UPS will also purchase 250 million gallon equivalents of renewable natural gas (RNG). Our purchase of 170 million gallon equivalents of RNG from Clean Energy Fuels Corp. marked the largest-ever purchase of RNG by any company in the U.S. UPS's RNG purchase will yield at least a 70 percent reduction in lifecycle greenhouse gas emissions compared to using diesel or gasoline.

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Accelerating Fleet Electrification

Since 2016, UPS and Arrival have worked together to pilot electric vehicle (EV) concepts of different sizes. We announced our intention to co-develop a test fleet of 35 electric delivery vehicles in London and Paris, and Arrival is the first manufacturer to provide purpose-built EVs for UPS's specifications. In 2020, we made an announcement that will help both UPS and Arrival grow our impact even further. UPS Ventures, our venture capital arm, completed a minority investment in Arrival, which will allow the company to continue its ground-up approach to the design and production of EVs. These vehicles are based on a modular design, which helps reduce maintenance time and costs. We also announced a commitment to purchase 10,000 custom-built EVs, which we expect to deploy in Europe and North America.



ORION Gets Dynamic

The most sustainable mile is the one we never drive. UPS's award-winning On-Road Integrated Optimization and Navigation platform, known as ORION, provides drivers with the most efficient route for deliveries and pickups on more than 66,000 routes in the United States, Canada, and Europe. And it keeps getting better. Most recently, we enhanced ORION with Dynamic Optimization, which recalculates individual package delivery routes throughout the day as traffic conditions, pickup commitments, and delivery orders change. This technology enhancement will accelerate reductions in miles, fuel, and emissions.

Annual Savings Generated from ORION

100 million
miles

10 million
gallons of fuel

100,000 metric tonnes
of greenhouse gas emissions

Giving Diesel Vehicles a New Lease on Life

In Germany, UPS is converting formerly diesel-powered trucks into EVs. No all-electric vehicles in the 7.5-tonne size class were currently available in the market, so we worked with partners to create our own—and added features that improve upon the conventional vehicle it replaces. Of the 33 new conversions announced in 2019, 15 will run purely on electricity and the remaining 18 will be plug-in hybrids. Several small businesses are providing the technological know-how to make this possible.

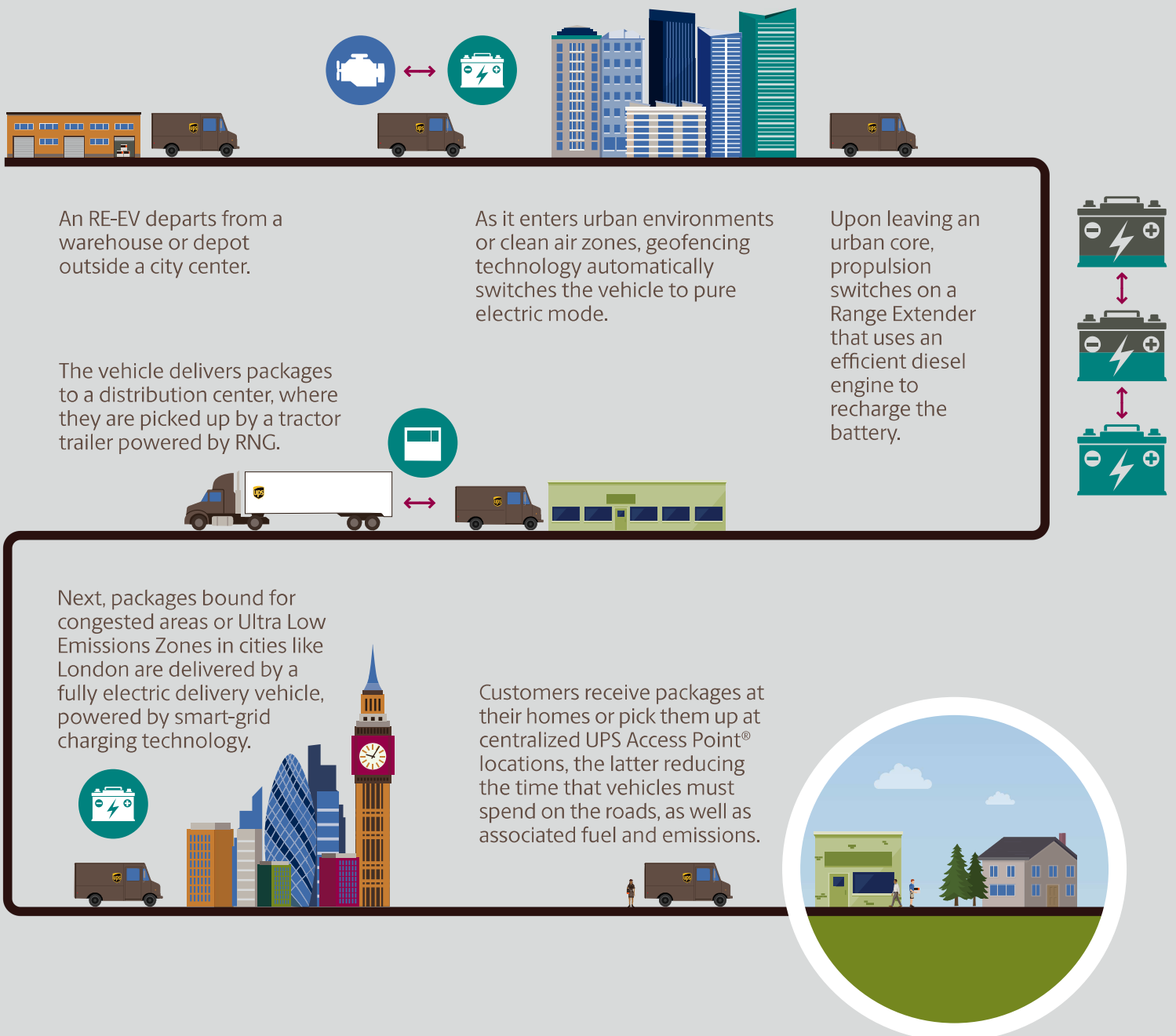
Another recent addition to our rolling lab in Germany is a diesel delivery truck that has been converted to electric and incorporates a dual-motor rear axle drive. It is currently being tested on the streets of Cologne. Powerful motors and independent drives on each rear wheel increase the maneuverability of the delivery truck, allowing it to handle heavy payloads and steep inclines. German auto-manufacturer BPW performed this refit, which gives the truck nearly 10 times the torque of an average four-cylinder car engine.

This test vehicle is a perfect encapsulation of the rolling lab philosophy. With breakthroughs like these, UPS is creating a tangible example of the future of sustainable transport.

A Hybrid Solution for a Sustainable Package Journey

While the market for electric delivery vehicles is still maturing in many parts of the world, we are working with partners on creative lower-emissions solutions to help fill the gap. Such is the case with the range-extended electric vehicle (RE-EV) we've piloted since 2015 with Tevva Motors, and recently rolled out to our fleets serving Birmingham and Southampton, U.K. These vehicles offer

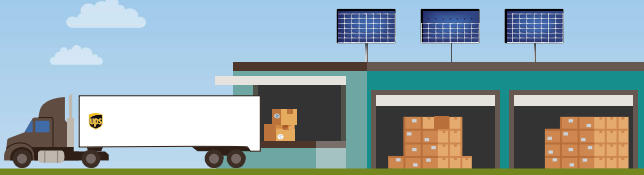
roughly 250 miles in range, four times that of the prior EV generation. Working in tandem with renewable natural gas (RNG)-powered tractors and fully electric vehicles, this solution is helping the city of London meet its emissions-reduction goals. With RE-EVs in our fleet, here's how a typical delivery between Birmingham and London happens today:



Sustainable Facilities

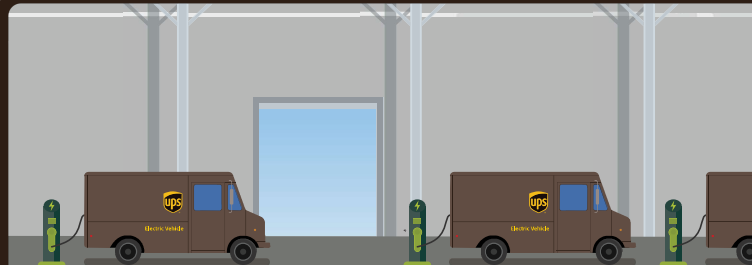

UPS is investing in cutting-edge technology at our facilities that will allow us to handle heightened package volumes more efficiently than ever. This upgraded capacity will increase our energy usage, which is why we are investing in additional solar energy projects and exploring other ways to ensure that our growth is environmentally sustainable. We are working toward goals to reduce GHG emissions associated with our ground operations and source more electricity from renewables.

We evaluate all new construction projects for green-building rating system implementation. UPS currently has 18 facilities that have received a green-building certification, including U.S. Green Building Council LEED, Building Research Establishment Environmental Assessment Methodology (BREEAM), and the Green Globes Standard.





Visalia, CA, U.S.

Once online, a battery microgrid and on-roof solar power will make this a near-zero-carbon facility. Electric and renewable natural gas (RNG) vehicles will operate from this hub.




Camden, U.K.

Smart-grid technology enables simultaneous charging of an entire fleet of electric delivery trucks. We are also testing the potential for used batteries to be repurposed for on-site energy storage.



Paris, France

This facility is equipped with LED lighting, as well as rainwater barrels that collect water used for washing vehicles.



Atlanta, GA, U.S.

Energy management has been integrated with conveyor systems, stopping belts if no packages are detected. Our vehicle wash system operates with reclaimed water.





A Packaging Solution Built to Last

All customers expect goods to arrive to their destinations safely. But those who send critical items such as medications or high-value luxury goods often want extra visibility and flexibility for these shipments.

A new concept from UPS's Upstarts innovation challenge addresses this need. The Rove team pitched a tech-enabled packaging solution: a container outfitted with an electronic label and sensor system that is secure, durable, and, best of all, reusable. With onboard sensors to determine temperature, GPS location, and if the package has been opened, customers will have unprecedented control of their reusable container. Based on sensor data, customers can reroute their reusable container without the need for employee intervention.

The Rove team, made up of four UPS employees, recently received seed funding to further develop their idea. The innovation helps keep important deliveries safe—while paving a more sustainable way to ship valuable goods.

“LVMH looks to UPS for so much more than transportation. As a co-innovation partner, we trust in you to build an ecosystem around our general transportation goods, leveraging everything from hi-tech solutions to sustainable, reusable boxes. This builds on our partnership, allows us to set the pace for the luxury industry, and puts UPS in a position to be a one-stop shop for the LVMH Maisons.”

Perry Contreras
Vice President of Global Procurement
LVMH Moët Hennessy - Louis Vuitton

The Logistics of Disaster Response

When disasters occur, relief teams are often faced with an excess of donated materials that are not needed and can even be detrimental to providing support. The influx of unnecessary materials can slow the progress of delivering goods to those in need. Even the right supplies can be problematic when they reach the wrong location or arrive at the wrong time—such as before there is a place to safely store them. The result is that, according to the National Science Foundation, up to 60 percent of goods donated after a disaster end up going to waste.

As natural disasters around the world become more frequent and destructive, it's clear that responding effectively is both a humanitarian and a logistical challenge.

“Our partnership with The UPS Foundation helps Good360 get the right goods to the right people at the right time.”

Matt Connelly
Good360 CEO

Good360 works to channel donors' well-intentioned generosity by matching donations with nonprofits who can use them. The UPS Foundation has worked with Good360 on relief and resilience efforts for many years. In 2015, we became a founding partner of the Good360 Disaster Recovery Council where we have begun to develop best practices for in-kind giving. In 2018, we helped Good360 launch Resilient Response, a cross-sector initiative aimed at driving more thoughtful, proactive, and impactful giving. Over the past several



years, UPS has helped facilitate the distribution of millions of dollars' worth of appropriate goods to disaster-impacted communities.

But every disaster is different, and we still have more progress to make. Hurricane Dorian was the worst disaster in the history of the Bahamas, and after it hit the island in 2019 a familiar pattern repeated itself. More than 150 containers and 2,000 pallets of donations were delivered to the Bahamian capital. Donations arrived without a recipient, and in the early aftermath of the disaster, there was no strategy or resources to sort, inventory, and circulate these goods. And because roads, ports, and communication grids were heavily damaged, distributing supplies across the chain of islands was next to impossible.

The UPS Foundation wants to help break this cycle. We're providing a cash grant and in-kind transportation to Good360 to continue to leverage its recovery model in the Bahamas by working with on-the-ground partners to determine what's actually needed by the community during different stages of the recovery. With our support, Good360 continues to send needed goods, ensure their responsible distribution, and maximize impact. In parallel, Good360 is working with local agencies to best evaluate and deploy the unsolicited goods that were received. We're also helping Good360 develop strategies to overcome the constraints disasters often present, such as the destruction of warehouses, airport closures, and mobility issues that limit survivors' ability to receive donations and supplies.

The outcome we hope for is a more thoughtful approach to giving across the entire life cycle of a disaster, not just the immediate aftermath. As The UPS Foundation and Good360 continue our work together, we hope to speed recovery in the Bahamas—and any future disaster zones.

To read more about UPS's charitable contributions, click [here](#).



Innovating to Deliver Our Most Critical Shipments

Healthcare and life science shipments come with unique demands. Temperatures are precisely controlled. Conditions must be continuously monitored. And when lives are affected, delays are not an option.

Better meeting the needs of the healthcare and life sciences industries is one of UPS's strategic priorities, and we are rapidly improving our technology and capabilities in this space, including the delivery of shipments to remote areas. For example, we are working with Gavi, The Vaccine Alliance, and other partners in Uganda to ensure safe cold storage of vaccines by truck and boat. The results of an initial pilot showed that the partnership increased vaccine coverage and availability in the region. Given these encouraging results, the Uganda Ministry of Health has indicated its interest in expanding commodities and service territory to the entire country.

UPS Flight Forward™ has been exploring ways to support the fight to stop the spread of COVID-19. In 2019, UPS Flight Forward and Matternet initiated an ongoing drone delivery service at WakeMed's flagship hospital and campus in Raleigh, North Carolina, completing more than 3,700 flights to date under the Federal Aviation Administration (FAA)'s Part 107 rules. The companies later initiated service at the University of California San Diego Health system, also under the FAA's Part 107 rules. In 2020, UPS Flight Forward is using drones to deliver prescription medicines from a CVS pharmacy to The Villages, Florida for the largest U.S. retirement community, home to more than 135,000 residents. Through UPS Flight Forward, UPS is investing in drone transport, which offers a time-sensitive, convenient delivery option for medicines, while supporting social-distancing efforts to protect our healthcare heroes.



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