



Committed to More™



Corporate Sustainability
Report 2013



Committed to More™

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



1.1 Headlines of 2013

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We're Doubling Our Transportation Intensity Goal

One of our top sustainability goals is to reduce our GHG emissions from transportation relative to business volume. We reached our goal for 2016 in 2013, so we're doubling the goal to a 20 percent reduction in our transportation intensity by 2020. The KPI behind the goal is our Transportation Intensity Index. It covers 96 percent of all Scope 1 and 2 CO₂e emissions we generate worldwide, and uses our 2007 results as the baseline. Our goal was to achieve a 10 percent reduction in the Transportation Intensity Index by 2016. In 2013, the reduction was already 13.4 percent. For more information, see page XX.



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

We Reduced Our Carbon Intensity, Again

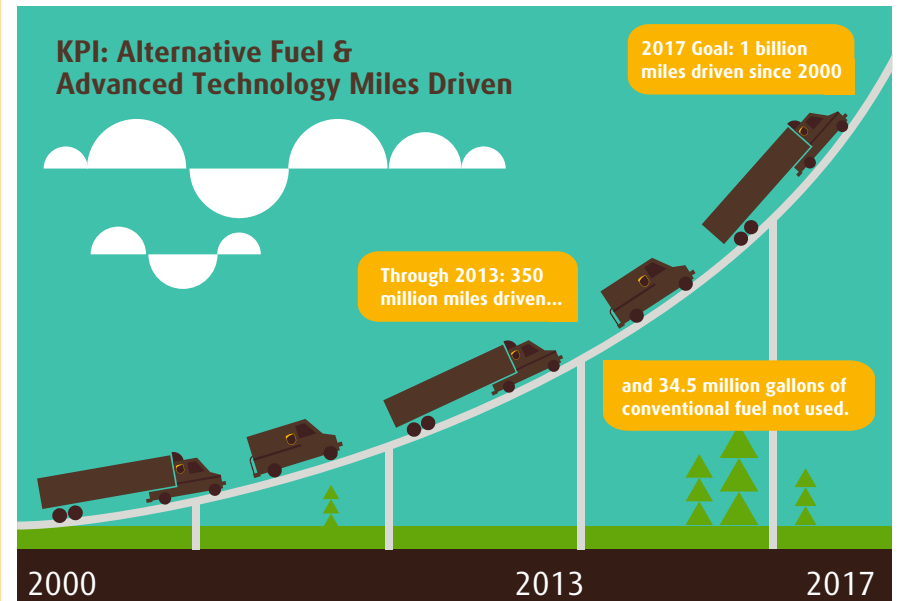
For the second year in a row, our business volume grew faster than our global inventory of greenhouse gas emissions from operations and purchased energy. Our 2013 business volume was up 3.9 percent compared to 2012, but GHG emissions increased only 0.5 percent. We achieved this reduction in carbon intensity by relentlessly executing on our global greenhouse gas reduction strategy. In this Report, we provide numerous examples of the strategy in action, including precision performance by our drivers and pilots, proprietary technical innovations such as ORION (see right), and continual expansion of our fleet of alternative fuel and advanced technology vehicles.

ORION is a Star

Yes, we know Orion is a constellation. But in 2013, our new proprietary technology system called ORION (On-Road Integrated Optimization and Navigation) was a star on television, in magazines, and online. ORION uses customized online map data to provide drivers with optimized routing information. The initial implementation of ORION within 2013 should enable us to save more than 1.5 million gallons of fuel and avoid 14,000 metric tons of CO₂ emissions in 2014. These benefits will increase substantially as we fully implement ORION over the next few years. A reduction of just one mile driven per day per driver can save UPS up to US\$50 million a year. For more information, see page XX.

Natural Gas Scales Up

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



1.3 2013 Achievements

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2013 ACHIEVEMENTS



UPS GLOBAL FORESTRY INITIATIVE: THE NEXT MILLION TREES

We kicked off the 10th anniversary of our Global Volunteer Month by pledging to plant another 1 million trees around the world, on top of the 1.3 million already planted.

UPS ROAD CODE® ARRIVES IN CHINA

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

UPS MY CHOICE™ IS A HIT WITH CUSTOMERS

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

EMERGING MARKETS ORGANIZATION

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

ISMEA DISTRICT

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

STRATEGIC ACQUISITIONS

UPS became the first global express delivery company to be wholly-owned in Vietnam. We also expanded our capabilities for healthcare customers with acquisitions in Hungary and Costa Rica.

RESILIENT COMMUNITIES

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



LEADERSHIP IN CARBON DISCLOSURE

CDP scored UPS at 99 out of 100 for voluntary carbon disclosure in 2013. For the third year in a row, we achieved a top position in CDP's Global 500 Climate Disclosure Leadership Index (CDLI).

GRI G4 "COMPREHENSIVE"

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



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Marina Bay Sands SkyPark, Singapore

UPS facility, Dubai, United Arab Emirates



Contextual Factors and Trends

During our materiality assessment, a number of contextual factors and trends arose frequently in discussions about material aspects of our sustainability. While these trends and factors are not within our control, and are not areas where we make major impacts, they are important sustainability trends that influence our business. In the following paragraphs, we briefly describe these contextual factors and trends so that their meaning will be clear when they appear later in the Report.

Trade Barriers

In recent decades, trade barriers have given way to trade opportunities. Global trade has been growing on average twice as fast as the world economy. Trade agreements increased in number, both regionally and bilaterally. Emerging markets became major contributors to free trade, highlighted by China's membership in the World Trade Organization (WTO) in 2001. According to some forecasts, global trade in goods is expected to increase at an average annual rate of 6 percent until 2030. This trend benefits UPS by increasing

the amount of international shipping volume, and it benefits society by fostering prosperity, the sharing of cultures and ideas, and more political openness. We strongly support free trade and the agreements that enable it, such as the proposed pacts between the United States and Europe, and between Asia and the Americas.

Urban Growth

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

Social Infrastructure and Services

As the world's population grows and ages, communities need to adapt their social infrastructure and services to support people who cannot care for themselves or their family members. Healthcare experts, for example, envision technology and infrastructure changes that make healthcare more accessible, mobile, affordable, and effective. UPS already fields one of the largest dedicated network of facilities and related services for suppliers of healthcare products, and we continue to invest in this infrastructure around the world. Delivery activity associated with expanding social services or infrastructure could represent another major opportunity for us. We also recognize, and are planning for, the challenges that may arise for us regarding recruiting and retaining younger generations in countries with low birth rates and aging populations.

Emerging Markets

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

2.1

G4-22 G4-23

Goals and Materiality

KPIs in this Report

In previous Reports, we have presented multi-year data for 16 performance measurements that we consider Key Performance Indicators (KPIs) for the sustainability of our business. In accordance with GRI-G4, we now present data for the 13 KPIs that correspond to our material aspects (see table on page XX). Data for all these KPIs were presented in our previous Reports. We discuss each of them in the relevant sections of this Report where they appear. The complete set of KPIs is summarized in the table on page XX.

For most KPIs, we use generally accepted or industry-standard metrics and measurement protocols. In some cases, we provide both absolute and normalized results. This is because carbon intensity may be as relevant or more relevant than absolute carbon footprint (see page XX).

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

Changes from 2013

We have made no material restatements of information provided in previous reports. We have expanded the scope of one KPI (U.S. Domestic Package ground packages per gallon) to increase its comprehensiveness (see page XX), and we also added the final relevant Scope 3 category to our global inventory of greenhouse gas emissions (see page XX). In both cases, data for prior periods are reported on a comparable basis using the new definitions of the respective measures.

Goals

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

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◀ Our KPIs address our global enterprise, which includes U.S. Domestic Package and UPS Airlines

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

● Results improved from 2012
● Results declined from 2012

2.2



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

▶ Loading the tail of a Boeing 747 in Anchorage, Alaska, U.S.



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Environmental

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

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

General Sustainability

- The World Business Council for Sustainable Development (WBCSD) initiative known as Vision 2050 to Action 2020, focused on a long-term global action plan for sustainability.
- The Global Initiative for Sustainability Ratings (GISR), which aims to develop a global ratings standard for sustainability performance.
- The Sustainability Accounting Standards Board (SASB), which is working to advance the integration of financial and non-financial reporting by corporations.

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Recognition for Responsibility and Reporting

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CDP Global 500 Climate Disclosure Leadership Index

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



Dow Jones Sustainability Indices World and North America

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



CR Magazine "100 Best Corporate Citizens"

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



Interbrand Best Green Brands, Best Global Brands

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



Ethisphere Institute "World's Most Ethical Companies"

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



U.S. Chamber of Commerce Foundation Citizens Awards

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



FORTUNE Magazine "World's Most Admired Companies"

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



The Civic 50 Most Community-Minded Companies

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

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

- Economic Performance
- Customer Privacy
- Digital and Physical Asset Security
- Disaster Preparedness and Response

For each of these aspects, we provide the following information:

- Why the aspect is material to our sustainability
- The aspect boundaries within UPS and outside UPS
- GRI prescriptive material aspects corresponding to our identified material aspect
- GRI general and specific standard disclosures we provide in discussing the aspect
- Our management approach to each material aspect, including notable events and updates in 2013

In addition, this chapter contains information regarding two topics that arose from our materiality assessment process as trends or contextual factors that influence our economic sustainability:

- Emerging Markets
- Sustainable Shipping and Supply Chain Offerings for Customers

▶ Dubai, United Arab Emirates



▶ Providing disaster relief, Cebu, The Philippines



▶ Staging medical supply shipment, Cebu, The Philippines



3.2

EC8

Indirect Economic Benefits

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

Total Charitable Contributions

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

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

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

Local Points of Presence

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

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

Franchise Support

We provide substantial indirect support for 4,782 franchise owners of The UPS Store locations in the United States and Canada, to help them succeed in serving the businesses around them. In 2013, The UPS Store became the first retailer to offer in-store 3D printing. Start-ups, entrepreneurs, and small business owners may not have the capital to purchase a 3D printer on their own, but still need to develop low-cost prototypes. The first six test locations are located in Menlo Park, California (near San Jose); San Diego, California; Lisle, Illinois (near Chicago); New York, New York; Frisco, Texas (near Dallas); and Washington, D.C.

Support for Free Trade

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

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TOTAL CHARITABLE CONTRIBUTIONS ALLOCATIONS

January 1 – December 31, 2013

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



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

Other important actions in 2013 included the following:

- Expanding our Information Use and Privacy Manual, particularly to address data privacy issues in our International Package business.
- Making the Manual part of mandatory training for all managers.
- Preparing training on the Manual for non-management employees beginning in 2014.
- Recruiting privacy officers from among our employees working in countries outside the United States, so that UPS, customers, regulators, and authorities have a designated local-language contact person for addressing local data privacy issues.
- Adding a description in our Annual Report of risks associated with a significant privacy breach or IT system disruption. Other important actions in 2013 included the following:
 - Expanding our Information Use and Privacy Manual, particularly to address data privacy issues in our International Package business.
 - Making the Manual part of mandatory training for all managers.
 - Preparing training on the Manual for non-management employees beginning in 2014.
 - Recruiting privacy officers from among our employees working in countries outside the United States, so that UPS, customers, regulators, and authorities have a designated local-language contact person for addressing local data privacy issues.
 - Adding a description in our Annual Report of risks associated with a significant privacy breach or IT system disruption.

Expert Perspective



Victoria King

Global Privacy Officer

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

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

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

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

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

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The UPS Foundation Around the World

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Making the World More Sustainable

In 2013, The UPS Foundation provided US\$48.7 million in global philanthropy to non-profit organizations, UPS employees and retirees contributed US\$51.3 million to United Way Worldwide, and UPS employees and their families recorded 1.8 million hours of volunteer service on six continents to help make our world more sustainable.

Safety

Provided US\$7.5 million in humanitarian relief funding and assisted with 250 humanitarian shipments across 46 countries.

More than 5,000 teens graduated from UPS Road Code and we launched a new location in Shanghai, China.

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

Diversity

Provided over US\$7.5 million to support economic empowerment, education, and leadership development for underserved or underrepresented populations.

Supported diverse veterans initiatives, including programs to promote job access and vocational training for veterans.

Volunteerism

Provided US\$2.4 million to build volunteer capacity and improve the effectiveness of nonprofit organizations.

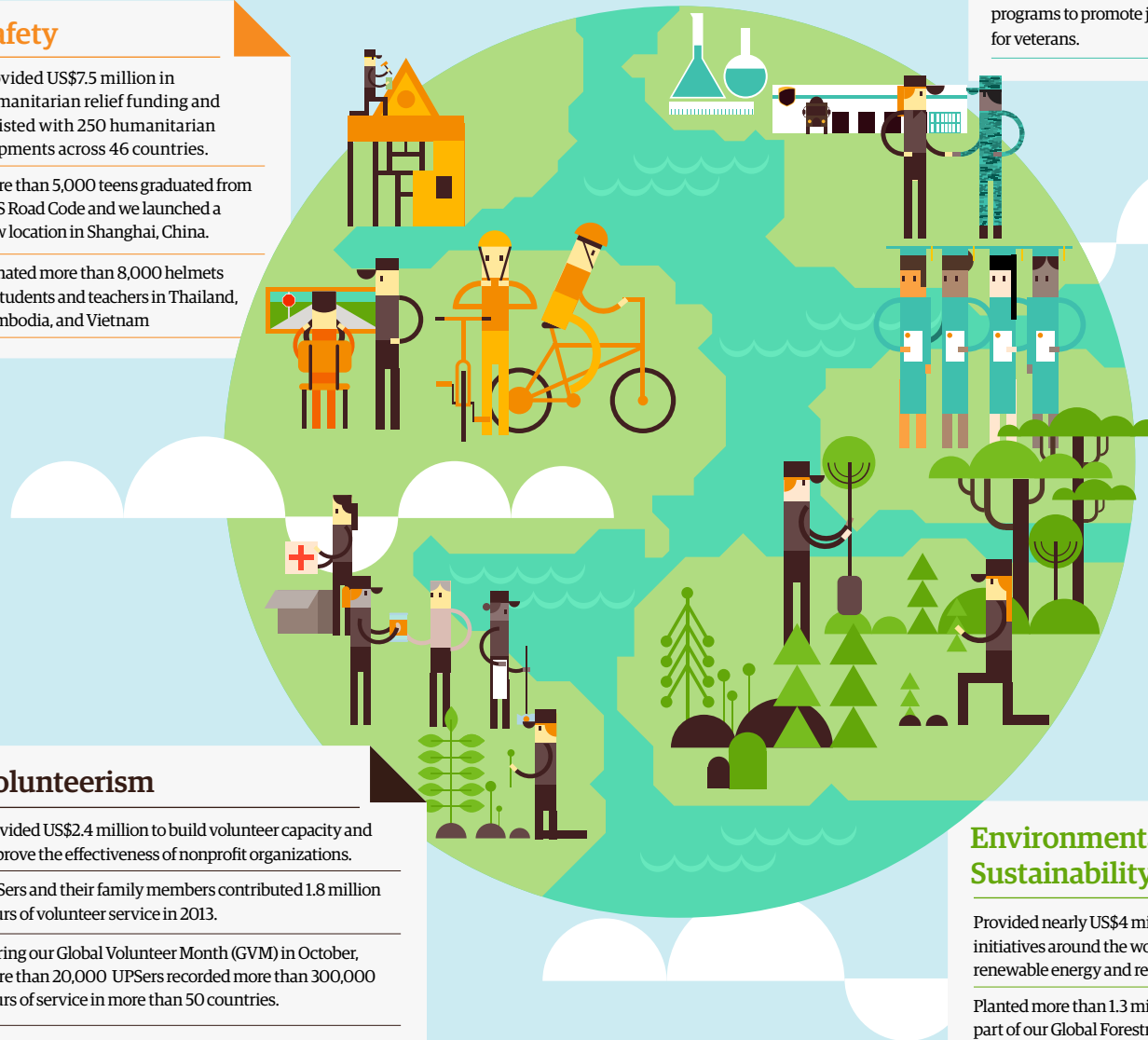
UPSers and their family members contributed 1.8 million hours of volunteer service in 2013.

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

Environmental Sustainability

Provided nearly US\$4 million for environmental initiatives around the world focused on climate change, renewable energy and resource conservation.

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



3.5

Grants from The UPS Foundation support small businesses such as this in Istanbul, Turkey



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



UPS Support for Resilient Communities in 2013

Philippines

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

Syria

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

Kenya

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

United States

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

United States

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

Turkey

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

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

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

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

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

Expert Perspective



Derek Woodward

President,
Emerging Markets

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

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

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



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

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

The main elements of the strategy are depicted in the illustration on page XX.

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

Intermodal Shifting

The various transport modes used in our sector have different energy intensities (energy required per unit of volume transported), ranging from aircraft at the high end to ships at the low end. UPS has focused for decades on using the most fuel-efficient transport mode or combination of modes to meet service requirements – and on being able to fluidly shift modes in real time to reduce energy intensity whenever possible.

Optimized Network

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

Air Fleet Efficiencies

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

Ground Fleet Efficiencies

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

Full Integration of Technology and Human Factors

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

Continual Innovation

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

▼ LNG tractor-trailer, Louisville, Kentucky, U.S.



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UPS's Greenhouse Gas Reduction Strategy is Global and Comprehensive

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

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

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

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

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

With our **optimized network**, we deliver all our services using the same ground fleet, without redundancy

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

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



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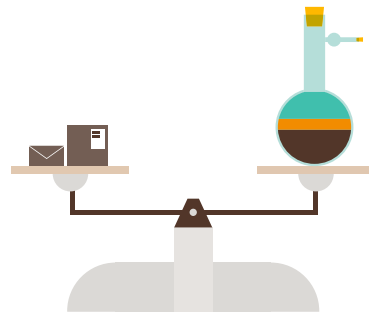
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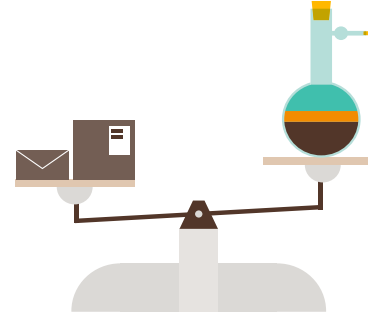
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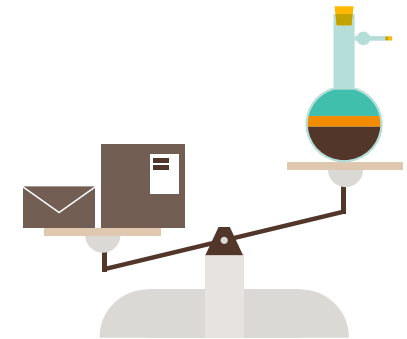
Reducing Carbon Intensity Means Doing More for Customers While Keeping Carbon Emissions Under Control



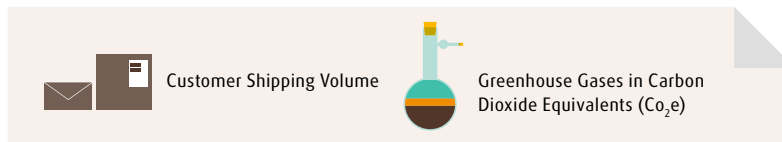
2007
Baseline Transportation Intensity



13.4%
Reduction compared to baseline for 2013



20%
Target reduction from baseline by 2020



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

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



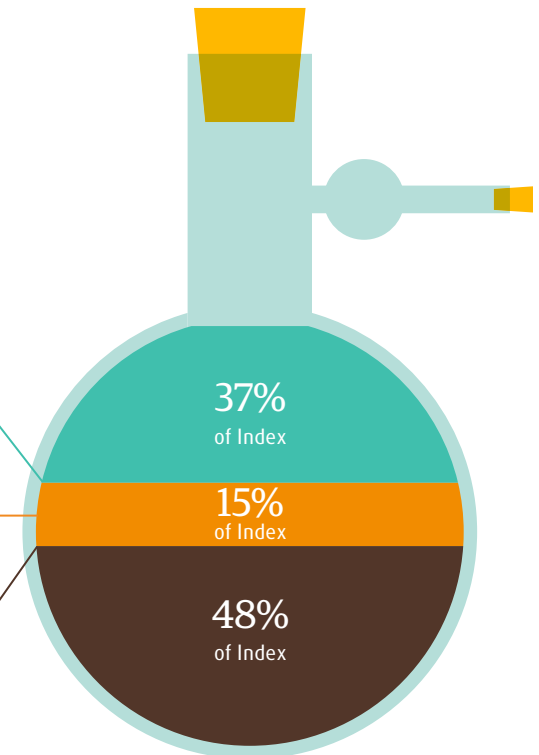
From aircraft in UPS Airlines (global operations)
lbs of CO₂e/Available Ton Mile



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



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



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Reducing Fuel Per Mile

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

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

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

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

Alternative Fuel and Advanced Technology Vehicles

Our international fleet is one of the most diverse in the private delivery industry. It currently

includes vehicles using the following fuels and technologies:

- Propane engines (in fleet since 1980)
- Compressed natural gas engines (in fleet since 1989)
- Hybrid gas/electric engines (in fleet since 1998)
- Liquefied natural gas engines (in fleet since 2000)
- Electric engines (first deployed in 1930; in fleet since 2001)
- Ethanol engines (in fleet since 2011)
- Hydraulic hybrid technology (in fleet since 2012)
- Biomethane dual-fuel engines (in fleet since 2012)

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

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

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

Liquefied Natural Gas Vehicles

Liquefied natural gas (LNG) is one of the most promising alternatives to conventional diesel fuel for trucks, especially in the United States. LNG-configured heavy-duty tractors combine strong pulling power and long range, so they compete operationally with comparable diesel-powered tractors while offering a lower emission profile. The cost of operation can be lower as well, because LNG is growing in availability from sources within the United States and thus is not burdened with the issues associated with imported oil. *Continued* ➔

UPS driver fueling up LNG tractor-trailer, California, U.S.



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

BSR: Future of Fuels

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

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

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

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

Regional “Green Freight” Organizations

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

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

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

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

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

Global Forestry Initiative

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

▼
A farmer stops water in an irrigation canal, Yunan River, China. Photo credit: @ Ami Vitale/TNC



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

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

When we discuss the material aspects, we provide the following information for each one:

- Why the aspect is material to our sustainability
- The aspect boundaries within UPS and outside UPS
- GRI prescriptive material aspects corresponding to our identified material aspect
- GRI general or specific standard disclosures we provide in discussing the aspect
- Notable events and updates in 2013

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

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



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



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



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Management Engagement

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

We created the sponsorship program to connect BRGs with people at the highest levels of UPS,



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

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

BRGs at UPS make significant contributions to growing the business and supporting the communities we serve. For example, our Asian-American BRG chapter in Atlanta established relationships with business leaders in the community that ultimately resulted in new

supply chain business for UPS. In Germany, our Women's Leadership Development BRG worked with the German Ministry of Education and the Chamber of Commerce to give young girls an opportunity to experience various technical jobs first hand and discover how global logistics works.



Equal Remuneration for Men and Women

We pay the same standard entry-level hourly wage to both genders. We believe this is the right thing to do, so we have made it part of our business policies, our compensation policies, and our contractual agreements with unions. The ratio of our standard entry-level hourly wage to local minimum wage varies from location to location around the world. This is necessary to comply with local conditions. For example, we comply with national wage minimums in countries that set them, and with state and local minimum-wage laws that vary from the national standard in the United States.

STATISTICAL SNAPSHOT OF UPS DIVERSITY

	Age Groups <i>Global</i>			Genders <i>Global</i>		Minority Groups <i>United States</i>			
	<30	30-50	>50	Female	Male	African-American	Hispanic	Asian-American	Other*
GOVERNANCE BODIES									
BOARD OF DIRECTORS	0.0%	0.0%	100.0%	23.0%	77.0%	7.6%	0.0%	0.0%	0.0%
MANAGEMENT COMMITTEE	0.0%	0.0%	100.0%	11.1%	88.9%	22.2%	0.0%	0.0%	0.0%
EMPLOYEE CATEGORIES									
SENIOR MANAGEMENT	1.5%	42.7%	55.8%	18.2%	81.8%	10.7%	4.2%	1.6%	1.8%
MIDDLE MANAGEMENT	21.2%	59.0%	19.7%	27.5%	72.5%	17.3%	9.8%	3.7%	1.5%
ADMIN/TECHNICAL	23.6%	56.0%	20.4%	56.9%	43.1%	22%	11.1%	4.5%	1.5%
NON-MANAGEMENT (OPERATIONS)	26.3%	52.9%	20.7%	12.7%	87.3%	22.6%	13.5%	2.2%	1.8%

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

5.6 Employee Health, Safety, and Wellness

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Our business requires that more than 80 percent of our people meet challenging deadlines throughout the day while operating more than 100,000 vehicles, more than 2,700 facilities, and well over 200 airplanes around the world. The only way to maintain this level of commitment to our customers is with a matching commitment to the health, safety, and wellness of our people. We devote millions of dollars and millions of hours to safety training every year, because accidents, injuries, and illnesses are not sustainable for a transportation and logistics company. We also coach each other regarding wellness, and donate time and money to non-profit organizations dedicated to improving community safety.

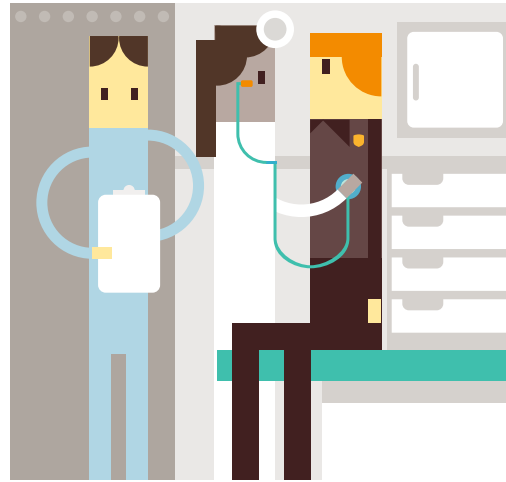
Material Issue for UPS: Employee Health, Safety, and Wellness

ASPECT BOUNDARY WITHIN UPS	is	U.S. Package Operations, International Package Operations, Global Supply Chain & Freight
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ASPECT BOUNDARY OUTSIDE UPS	is	Not material
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CORRESPONDING GRI G4 MATERIAL ASPECT	are	Employment, Occupational Health & Safety
--------------------------------------	-----	--

GRI SPECIFIC STANDARD DISCLOSURES	include	LA2, LA3, LA6, LA7
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Management Approach to Employee Health, Safety & Wellness

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



Health and Wellness

Health Benefits

In 2013, UPS provided health benefits for more than 718,000 employees, retirees, and their dependents. We administer several benefit

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

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

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

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

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

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

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

Women's Leadership Development

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

Our Women's Leadership Development Program (WLD) encourages our existing women in management to remain with the company and develop their careers within UPS. There are 19 WLD groups in the United States for women seeking to develop their leadership capabilities, and WLD is also active in all of our international regions. In 2013, 29.1 percent of our management employees were women, compared to 29.0 percent in 2012. These figures are well above the respective percentages of women in the overall workforce in our industry in these years, including both management and non-management employees. The overall UPS workforce was 20.1 percent female in 2013, compared to 20.2 percent in 2012. Women's Leadership Development is one of the seven BRG categories mentioned earlier in this chapter (see "Workforce Diversity").